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JPRS-EER-89-143

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INTRABLOC AFFAIRS

Czechoslovak Youth Leader Visits Bucharest

90EB0102A Bucharest SCINTEIA TINERETULUI in Romanian 28 Oct 89 p 6

[Interview with Vasil Mohorita, chairman of the Central Committee of the Socialist Youth Union (CSSM) in the CSSR, by Doina Fruntelata: "Our Visit to Bucharest Confirms the Good Relations Between the CSSM and the UTC and Reaffirms our Mutual Desire to Extend our Cooperation in the Future"; date and place not given]

[Text] A delegation of the Czechoslovak Socialist Youth Union (CSSM) of Czechoslovakia, headed by Vasil Mohorita, chairman of the CSSM Central Committee [CC], was in Bucharest recently. This delegation visited Romania at the invitation of the UTC (Union of Communist Youth) for the purpose of exchanging experience. At the end of the visit the chairman of the CSSM CC was so kind as to discuss with us the results of the visit and aspects of the activities of this youth organization of a friendly socialist country.

[SCINTEIA TINERETULUI] To begin, Comrade Chairman, please acquaint the readers of SCINTEIA TINERETULUI with the main concerns of the CSSM over this period and of young people in Czechoslovakia in general.

[Mohorita] First of all I would like to stress that our organization, the Socialist Youth Union, is on the threshold of an event of special importance to us, a countrywide conference. This conference will be the occasion for thorough analysis of the progress made by the CSSM in its activities since its last congress and will establish our objectives and aims for the future. At the same time, important documents and the CSSM Program will be adopted at the conference, and a new statute will be drawn up for the Socialist Youth Union. Of course, discussion will also be devoted to other problems in day-to-day activities generated, in my opinion, by the current situation in Czechoslovakia. What I have in mind in particular is everything relating to the restructuring and democratization processes currently taking place in society, which also affect us. In everything we do we try to promote and satisfy the interests of the younger generation under the leadership of the Communist Party of Czechoslovakia, for the good of the country. It is certain that, generally speaking, these interests coincide with the values of society. There are very many young people actively participating in the building of socialism, ones who can be attracted to the high goals of society. At the same time, though, there are groups of young people who do not promote an active policy. They represent different and narrower spheres of interest. I would like to stress once again that the great majority of young people support the policy promoted by our Communist Party and participate actively in carrying out the party's program, but there are also a number of aspects that we cannot ignore. There are problems especially in the social sphere which affect young people in particular,

such the problem of housing and that of wages, which are to be paid as a function of the results of labor, regardless of age. Certain groups want to travel, engage in sports, etc., and in our future activities we will try to respond equally to the wishes of these young persons.

[SCINTEIA TINERETULUI] In connection with the current visit to Bucharest, what is your assessment of relations between the UTC and the CSSM, between the youth of the Socialist Republic of Romania and of the Czechoslovak Socialist Republic?

[Mohorita] Good relations have existed for a long time between the UTC and the CSSM; they have been very friendly and comradely relations. Our visit itself to Romania confirms this fact and this evolution. Moreover, the exchange of experiences we had brought to light considerable untapped potential for developing mutual cooperation. What I have in mind is more intensive exchange between young people of the two countries, and not merely in the form of tourism. Considering the need for our countries to catch up with the countries which are the most advanced in the scientific and technical area, I believe that young people can engage in fruitful cooperation in this direction which is in the best interests of both Czechoslovakia and Romania. I refer to educational organizations, but also to intensification of exchanges between individual districts, which I am convinced will contribute to better mutual understanding and to further extension of the friendly and cooperative relations between Romanian and Czechoslovak young people, in accordance with and in the spirit of the agreements reached by Comrade Nicolae Ceausescu, secretary general of the Romanian Communist Party, Comrade Milos Jakes, secretary general of the Central Committee of the Communist Party of Czechoslovakia, and Gustav Husak, president of the Czechoslovak Socialist Republic.

[SCINTEIA TINERETULUI] What impressions have been made on you by the dialogue with Romanian youth and by your visit to economic, sociocultural, and educational establishments in the capital of Romania?

[Mohorita] Since our stay was very short, I would divide it into two parts, one of them the actual working visit during the meeting with the Central Committee of the UTC, and the other the visit to establishments which as you say can leave a number of impressions with a foreign visitor. I should tell you that this is my third trip to Romania. I have also visited the Bucharest Polytechnic Institute, the Electronic Computer Enterprise, and the new civic center, along with the subway and Lakes Cringas and Vacaresti. Everywhere I have engaged in specific discussions with many young persons about their activities. And it is obvious that the capital of your country has changed much since my last visit here in 1985. It is also clear that your people and youth have exerted and continue to exert great efforts, which unquestionably will bear fruit in magnificent accomplishments in the future.

[SCINTEIA TINERETULUI] Young people do indeed represent an impressive creative potential. What do you think of the role of young people in the contemporary world?

[Mohorita] In speaking of the role of young people in the world today, we must recognize above all, and this is my personal opinion, that we find ourselves in a situation in which we want to influence young people in very many directions but in an organized manner. When I talk with older comrades who fought against Fascism or during the first postwar years for socialism, they often say that young people are different nowadays. But while they are characterized as "different," it must be understood that conditions are also different. There is no question now of assuring social security. It is well enough, of course, for young people—I refer specifically to the situation in Czechoslovakia—to have the attention of all society focussed on them, but this excessively protective attitude often causes young people to expect too much. I believe that our young people also should be given an opportunity to fight for something. We recall and often hear about the situation in which 20-year-olds were heads of factories immediately after the war. Today the question repeatedly comes up of whether a person who has reached 40 is too young to be appointed director. To utilize the creative potential of young people, we must remove this protective shell which surrounds them and give them more opportunity to show specifically what they can do. This is one of the things which most greatly concerns us, and I will say so openly at the conference referred to at the beginning of our conversation. We do not want young people to have any special advantages in our socialist society, but we also do not want them to be placed at a disadvantage. Ability should be the decisive factor, but of course experience must not be ignored. If greater use were to be made of the creative potential of young people and their desire for innovation, they would have both more to say and more to do. This is certainly true in any society; the young people of today are everywhere vigorously expressing their strong desire to take part in the shaping and building of their own future.

GERMAN DEMOCRATIC REPUBLIC

Socialist State Rule of Law Explicated

90EG0047A East Berlin NEUE JUSTIZ in German
Vol 43 No 10, Oct 89 pp 393-397

[Article by Prof Dr Karl A. Mollnau, of the Institute for the Theory of State and Law in the GDR Academy of Sciences: "Socialist State Governed by Law—A Tentative Characterization"]

[Text] I should like to preface the subject "Socialist State Governed by Law," which in the field of state and legal thinking makes clear what new tasks are facing science, with three theses:

1. Raising the problem of the socialist state governed by law marks a caesura in Marxist juridical thinking, based

on the fact that socialism will develop over a historically long time on its own foundations which are free of class antagonism, but not without conflicts. Somewhat simplified, one can say: The problem of the socialist state governed by law is one of the central elements of the concept of state and law in developing modern socialism, which in turn is an integral component of the societal concepts of modern socialism.

2. This societal concept—including the concept of state and law—is not a finished matter; it must constantly be creatively enriched and further developed. In individual socialist countries, many and divergent efforts are made in theory and practice in order to make socialism up-to-date. All these efforts bear a strong national character, which is an expression of the final dismissal of the thesis that socialism, its state, its law, is defined by a binding model, divergence from which would mean revisionism in theory and recapitalization in practice. The fact that socialism in reality is developing with strong national coloring—we here speak of socialism under the colors of the GDR—raises the question of various types of socialist order of state and law, of their classification.

3. One of the most important problems is the theoretical ascertaining of the dialectics between unity and diversity in world socialism. This touches on the question of what [we have] in common and what is different in the shaping of socialist society in individual countries, i.e., application of the universal laws of socialism under the respective concrete conditions of a country. In my opinion, at least the following reflections must be taken into consideration:

- a) The objective laws of socialism do not exist outside the actual socialist society, but are subject to change with the development of socialism itself.
- b) Statements about these objective laws can only be formulated on the basis of the actual development of socialism in all countries. From the viewpoint of one country, or several countries, only elements, partial insights can be gained.
- c) The national coloring with which socialism is developing in individual countries must not be interpreted as objective laws of socialism just as, vice versa, the fact that socialism is developing under the national colors of the respective country cannot be used as proof for the thesis that there are no universal laws of socialism whatsoever.

The political system, and the state and legal order in particular, is part of the areas where the diversity of socialism is developing rapidly (and sometimes dramatically). Greatest ideological attention must be paid to this development, not only because it is a preferred field of attempts of interference by imperialist forces, but because the question of power must not be neglected, particularly under the conditions of restructuring and renewal of socialism. Here applies a sentence by Lenin, modified according to the new conditions: A renewal of socialism which cannot protect itself is worth nothing.

The qualitatively new conditions alone demand a new way of answering the question of power, and this new way is the development of the socialist state governed by law.

That brings us directly to the topic: What is the meaning of a socialist state governed by law? What characteristics must the state and legal order in socialism have in order to possess the qualities of a socialist state governed by law?

Characteristics of the GDR Socialist State Governed by Law

No one should expect a textbook definition of what a state governed by law is here. The subject was deliberately called a tentative characterization to be made here. Proceeding in this way is based on fundamental considerations: In my opinion, it is still too early to give a solidly constructed definition of a socialist state governed by law, because the empirical foundation is still too narrow for such a conceptual generalization. The socialist state governed by law as a real fact of world socialism is still in the throes of development. In addition, the socialist state governed by law cannot be defined from the aspect of only one country—if we proceed from the premise that the socialist state governed by law must be seen as a type, a special class of a socialist state. This also says that a definition cannot be found in the abstract, but that it must be preceded by an analysis of actually existing socialist state and legal orders and their practice.

To characterize the GDR state as a socialist state governed by law, the following specific traits must be stressed:

1. When the SED [Socialist Unity Party of Germany] Central Committee at its sixth meeting called the GDR a socialist state governed by law, this is first of all an accounting of the legal policy development in our country; at the same time, it poses tasks for the further development of our state and legal order. The characterization of the GDR as a state governed by law is an up-to-date precise definition and further development of two important points of the SED party program: I mean, first of all, the thesis that further developing and perfecting of socialist democracy is the main direction of the development of socialist state power, and secondly, the thesis that systematic expansion of the socialist legal order according to the degree of maturity of socialist society is a permanent task.¹

In this, one cannot overlook the close link between the statement at the sixth plenary meeting, "The body of legislation supported by the people proves the verifiable reality of constitutionality,"² and the central legal policy statement at the 11th SED Party Congress according to which the GDR now (possesses) a "comprehensive body of legislation which guarantees the same rights and liberties to all citizens, protects the dignity of man, and promotes his action for social progress."³

2. When one speaks of the national coloring of the GDR state governed by law, it is very important to explain the

causes for it from the development of the GDR itself. Naturally there are tangential points with similar developments in other socialist states. To this extent it is certainly correct to see the development of a state governed by law in socialist countries as an element of a general precept in the area of state and legal development.

3. The development of the state and the law in the GDR in the direction of the socialist state governed by law must be understood and analyzed as a consequence resulting from the inner logic of the SED's social and legal policy, particularly since the eighth Party Congress.⁴ In this context the following aspects must be pointed out:

- a) As is well known, since the eighth SED Party Congress a comprehensive body of legislation has been created. Naturally, the passing of codifications and other significant laws is not per se a proof of constitutionality. But what is special about the implementation of the GDR's legislative program is the fact that in the new legal provisions, more and more importance was given to the protection and regulation of the rights of citizens, as well as implementation of these rights. In my opinion, this can be seen as the legal counterpart to the policy of the main task in its unity of economic and social policy, which in substance also aims at letting citizens experience the advantages of socialism.
- b) For the shaping of the GDR's constitutionality it is just as significant that the authority of the law was purposefully raised in citizens' everyday awareness [and] in public opinion. This was above all aided by comprehensive legal propaganda and the fact that the citizens' access to the law, the clarity and comprehensibility of legal provisions were constantly improved.
- c) The successive development of the qualities of the GDR socialist state governed by law cannot be separated from the specific historical constellation from which the GDR sprang. This means the anti-Fascist mandate and the anti-Fascist legitimization of the GDR. The specifics of GDR constitutionality cannot be imagined without the overcoming of the despotism and lawlessness of Nazi rule, its practice of waging terror and destruction even under the mantle of the law, as well as the constant confrontation with the Nazi system of injustice. Anti-Fascism is an important component in the national coloring of the GDR state governed by law.
- d) Constitutionality in the GDR also derives a specific component from the fact that in the German workers' movement, under the Kaiser as well as the Weimar Republic, the problem of constitutionality played a particular role.⁵ For one thing, it was a matter of unmasking the class prejudice of justice which developed under the phraseology of a state governed by law. For another, it was necessary to

take up positive elements of bourgeois constitutionality in the interest of protecting and defending the rights of workers.

e) For the development of constitutionality in the GDR it is also not unimportant—and this, for example, is an essential difference in the discussion of constitutionality in most other socialist countries—that it took place against the background of critical confrontation with a bourgeois juristic culture of high standing, a juristic culture in which the problem of constitutionality in a positive as well as negative sense had always played an important role. Even if in fact the state governed by law is not a creation of the German bourgeois juristic culture, as was sometimes assumed erroneously, the definition “state governed by law” is a specific creation of the German bourgeois juristic culture for which no equivalent exists in other languages. From this historical situation results a particular responsibility for GDR jurisprudence to critically cope with and overcome the bourgeois tradition of constitutionality in its different variants.

f) Lastly, it must be pointed out that for the development of socialist juristic culture, which is appropriate for a socialist state governed by law, corrections and modifications in jurisprudence as well as legal practice are important, which have occurred since the early 1970's. Here must be mentioned primarily the resumption and intensification of scientific work in the field of administrative law, but also changes and new stresses in appraising the juridical heritage.

Controversial Points on the Concept of the ‘State Governed by Law’

There exist highly controversial interpretations in Marxist-Leninist jurisprudence about what should be understood by a state ruled by law, in particular by a socialist state governed by law. In the history of GDR jurisprudence, also, the dispute about the concept of a socialist state governed by law has left its marks behind.⁶ To demonstrate the range of the controversy, I first want to cite two quotes.

Karl Polak wrote in December 1946: “The concept of a ‘state governed by law’ is thus totally devoid of content, because every political and historical entity can make a claim to it and has made a claim to it. Hence the concept does not stand up under scientific analysis.”⁷ Similar remarks can also be found in later writings by Polak. Although originally directed against the bourgeois ideology of a state governed by law, Polak’s verdict on the question of a state governed by law as a fictitious problem, as barefaced demagoguery in GDR jurisprudence, became predominant for a long time.

By contrast, 42 years later Klaus Heuer [states] in evaluating the sixth meeting of the SED Central Committee: “Why should it not be necessary under these circumstances to take up the ‘beautiful phrase of the German state governed by law’ as our spiritual heritage

and simultaneously distinguish it from its bourgeois counterimage by characterizing it as a socialist state governed by law?”⁸

Since then, the concept of “socialist state governed by law” is being used among jurists, but frequently very imprecisely. The following is striking:

1. Some think that the concept of a state governed by law had been introduced for purely pragmatic reasons, that in reality it has no meaning in substance. (As an aside: These jurists succumb to the colossal misunderstanding that problems encountered in reality could be solved by merely giving substance to concepts.)

2. Others believe that in future, the concept of a “state governed by law” is to replace concepts such as dictatorship of the proletariat, socialist state, worker-and-peasant state, order of state and law, etc. Some see it as a synonym for the concept of legality.

3. And finally, the concept of a state governed by law is sometimes seen as a kind of umbrella or combination concept, in which are combined concepts such as legality, legal security, equality before the law, etc.

Of course, such and similar opinions lead the question about the quality of socialist constitutionality into a vacuum. They do not do justice to the factual situation, nay, they impede the productive clarification process in juristic research as well as in legal propaganda, because from their inception they block important venues where the essential questions on further development of the socialist state and law in theory and practice can and must be placed. Even more: If we did not see the concept of the socialist state governed by law as a substantive term, but handle it as a household word or as a paraphrase for other already existing concepts, then we would succumb to the bourgeois ideology of a state governed by law which considers this concept a sluice—as noted by E.W. Boeckenfoerde—through which one can transport everything and anything.⁹

This is not the place to deal with the chameleon-like existence of the bourgeois state governed by law and its ideological structures. But the respective adjectives applied to the concept by bourgeois politicians and ideologues indicate its elasticity and vagueness. The most important of these word combinations are: formal state governed by law, material state governed by law, liberal state governed by law, social state governed by law, free state governed by law, national state governed by law. Therefore, Boeckenfoerde is correct in seeing the peculiarity of the bourgeois concept of a state governed by law in the fact that, as to the meaning of the word, it is vague and open to the influx of changing ideas of state and constitution theories.¹⁰ Otto Maier, [who was] one of the classics of bourgeois administrative law, had already remarked at the end of the last century that the concept of the state governed by law was vacillating a great deal since it was supposed to define something that

is not yet concluded, that is still underway, and hence everyone was inclined to imbue it with his [own] juristic ideals.¹¹

If one wants to effect something in theory and practice with the concept of the socialist state governed by law, then the concept of "state governed by law" must be developed in clear differentiation vis-a-vis the bourgeois vagueness of a state governed by law. But it must also be defended against all attempts to shred its meaning at the edges in order to finally transform it into a mushy household term. Therefore it is necessary not to consider the concept of "socialist state governed by law" as a substitution or combination concept, but to understand and use it as a concept of substance.

In the following, a few reflections on the quality of the socialist state governed by law shall be discussed but, as mentioned before, without being able to give a precise definition of the concept.

Criteria of the Socialist State Governed by Law in the Relations Between Citizen and State

It is meaningful to use the concept of "socialist state governed by law" in order to theoretically register a certain level of development, the workings and actual effectiveness of legal regulations and the legal security of relations between citizens and the state, the individual and society. Such an approach makes it clear from the beginning that the concept "socialist state governed by law" must not be seen as an all-inclusive concept covering all phenomena of the state and legal system. It was already pointed out that the concept "socialist state governed by law" cannot simply substitute for the concepts "socialist legal system" or "dictatorship of the proletariat," etc.

The concept "socialist state governed by law" directly or indirectly reflects a complex of quality traits of legal regulation and hence, naturally, also of state activity in the field of relations between citizen and state, and the individual and society, respectively. In this regard, the concept of a socialist state governed by law must not be separated from the problem complex of subjective rights and obligations in the socialist state, and in particular it must not be detached from the problem complex of human rights. One must even say that protection, implementation, and further development of human rights are a central part of the socialist state governed by law.

From this view one must also understand the strong democratic component of the concept of a socialist state governed by law. Socialist democracy under this aspect is a substantive element of the socialist state governed by law, if one understands socialist democracy as the interaction between self-determination of the people and self-determination of the individual.

The next question concerns the criteria according to which will have to be determined and shaped the level of development, the workings, and effectiveness of the regulations in the area of social relations. The following

aspects must be taken into account here, but in which not every individual aspect can be considered separately; rather, it can only reveal and develop its categorical and methodical function in conjunction with all other aspects.

1. The socialist state governed by law is characterized by [the fact that] all relations requiring legal regulation between the individual and society and state and citizen, respectively, are regulated under law in good time, and at the regulating level provided by the constitution, which must be in accord with the hierarchy of the normative act. This is in a sense the legislation aspect of the state governed by law.

2. The socialist state governed by law is characterized by [the fact that] all citizens, all legal subjects are equal before the law, [and] are subject to the laws without privilege and without discrimination. It is a matter of understanding equality before the law as the equal binding nature of the law for all, interpreting the universal binding nature of the law as a subjective claim of the individual to implementation of the law by the state as provided by law. This concerns the aspect of legal implementation of constitutionality.

The dialectics of rights and obligations, the balance between both, plays an important role in this context. This holds true in particular in the relations between state and citizen. In these relations no one, not even a state authority, can be exempt from the law. The self-engagement of the state to the law, itself established by the state, is valid until legal provisions are abolished or replaced by new ones through proceedings provided by law. This self-engagement of the state to the law perforce has the consequence that the law must be seen as the regulator in all areas of society—and that also means: as the measure of the exercise of power, the measure of political decisions, insofar as they have to be taken on a legal basis.

3. The socialist state governed by law is characterized by [the fact that] legal provisions and the decisions of legal application based thereon must be actually implementable in proceedings provided by the law. These proceedings must be discernible to the citizen and capable of being used by him. This concerns the aspect of legal implementation of the law of constitutionality.

4. The socialist state governed by law is characterized [by the fact that] both the citizen and the state have possibilities of correcting wrong decisions. This requires a legal mechanism to review doubts arising on one side or the other as to the correctness of a decision. This concerns the legal control aspect of the law of constitutionality, which is of extraordinarily great significance for the relationship of trust between the citizen and the state and which, on the other hand, is an important means of making possible an actual codetermination and self-determination by citizens in their own affairs.

5. The socialist state governed by law is characterized [by the fact that] the typical quality of socialist justice works

as a central regulating effect on all levels. This aspect, which as a substantive diagonal more or less pervades the aforementioned four elements, expresses the decisive substantive difference between it and the bourgeois state governed by law. This concerns the justice aspect of constitutionality.

Performance Principle and Justice

Although socialist justice does not end with the performance principle, it constitutes its core. Because: The historically highest possible degree of social justice in socialism is ensured by the performance principle and its purposeful implementation. This is a matter of considering and understanding without curtailment the relations between the performance principle and the law, the implementation of the performance principle with the help of socialist law. But such a curtailment is always encountered where the performance principle and its relations to the law are only seen under the aspect of distribution of goods. But first and foremost it is a matter of making effective those aspects of the performance principle stimulating productivity and production, since production always comes before distribution.

Of course, distribution is one of the most important functions of the performance principle. But to reduce it to that point ignores the fact that the performance principle in its classic Marxist formulation reads: "Each according to his capabilities, to each according to his performance." Thus the performance principle also consists in an element which touches upon developing the capability of him who performs. More than up to now, one must consider in theory and practice what starting points exist in the relations between the law and the performance principle in order to make this principle fully effective in its personality promoting potentials.

Promoting personality, developing human capabilities means development of individuality. This touches upon an important statement of the 11th SED Party Congress, namely, that socialist society itself becomes all the richer the more richly the individuality of its members is developed, and that society in its progress creates ever more favorable conditions for it.¹² Development of individuality has become a central problem in socialism under the conditions of the scientific-technical revolution and the transition to intensively expanded reproduction.

One must cite another aspect which has become a victim of the present curtailments of the performance principle and its relations to the law: The performance principle must also be understood as a regulatory effect which can ensure optimum use of the individual performers, the utilization of their expert competencies according to actual feasibilities. That means: The performance principle also has effects on the correct functional distribution of the labor force according to societal division of labor. The effect consists in putting every working member of society in the place that corresponds to his capabilities and know-how, his technical knowledge.

Thus purposeful implementation of the performance principle turns against subjectivism in cadre use.

Reflections on the relationship between the performance principle and social justice demonstrate the specific feature of our state governed by law as a socialist one; they also show the diametrical contrast to the bourgeois state governed by law, which is built on the profit principle. Such reflections are also important because they prove that the modern socialist concept of law complements the modern economic concept of socialism. Hence the shaping of the state governed by law is an important aspect of the economic power of the socialist state and law, and of the development of both.

On the Development of a Marxist-Leninist Theory of a State Governed by Law

Although the concept of a "socialist state governed by law"—as mentioned above—must not be understood as an all-inclusive concept, it does definitely cover categories such as legality, legal security, legal system, etc., but without being identical with these categories. Also, the state governed by law of socialism is neither a judicial state nor an administrative state, neither a state of legal process nor a state of petitions. However, it is necessary to further reflect on the role of justice and administration, on expanding legal processes and the law of petitions under constitutional aspects. If we understand the concept of "socialist state governed by law" to mean that, in its functional and structural regard as well as its inception, it expresses quality traits of legal regulation and state activity in the area of relations between the citizen and the state and the individual and society, respectively, then the importance of a functioning state governed by law for political stability and identification between the citizen and the state becomes clear. It is a cornerstone on which the relationship of trust between the citizen and the state develops and strengthens.

The theoretical elaboration of the concept and term of socialist constitutionality must stress what is specifically socialistic and thereby establish a class distinction vis-a-vis the bourgeois state governed by law. This requires constant elaboration [of the point] that those specific qualities of the socialist state and its legal system, which we call constitutional, do not represent alternatives to the class content of the socialist state and law, but are themselves an expression of this class content. In our reflections on what a socialist state governed by law is and how it develops further, we must not be influenced by the complex of problems and constructions of the bourgeois ideology of a state governed by law; rather, we must see the confrontation with the bourgeois ideology of a state governed by law as an essential condition for the development of a Marxist-Leninist theory of a state governed by law.

To elaborate such a theory has to be the joint task of all Marxist-Leninist jurists, and in fact, lively discussions on this question are taking place in many socialist

countries. Unfortunately, the confrontation with bourgeois structures and ideologies of a state governed by law is not sufficiently considered in all cases.

The unity between state and law, between state power and the law at the level of equal class content and equal class functions must be demonstrated time and again. Whoever interprets socialist constitutionality in such a way that the primacy of the law vis-a-vis the state must be acknowledged is as much in error as he who holds the opinion that the state has primacy over the law, and that the law is only an appendage of the state. Neither position is Marxist. If we correctly assess the relationship between state and law as to its function, structure, and inception, and if we want to extract the corresponding qualities of a state governed by law, it becomes exclusively a matter of answering the question why state and law with equal ranking are indispensable in socialist society, i.e., to explain the existence and necessary effect of the state and the law of equal weight from the internal social conditions of socialism which is developing on its own basis. In this sense we should emphasize not only the state character of the law, but also the legality of the state.

If we look at matters in this fashion, then we also understand why the concept of "state governed by law" is not an alternative to the concept of "power state," but is a subcategory of the power state, because no state exists that does not also have power, hence is a power state. Hence the theory, always propagated by bourgeois ideologues, of the sovereignty of the law over the state is incorrect and demagogical. That we are dealing here with politically sensitive problems becomes clear if we take into consideration that the opponent's strategy aims at eliminating, if possible, the question of power via constitutionality from the law of socialism and also from the socialist system of state and law, or at least to greatly cut back its importance. Try it the other way around: The state governed by law indicates the close interlinkage between state and law, power and law at a level of equal weight and necessitates a more differentiated view of this interlinkage under the concrete conditions of socialism, which is developing on its own foundations.

Such differentiation seems appropriate to me where, up to now, one has spoken in very general terms, and therefore one-sidedly, of the nature of law as a state tool. Of course, socialist law will continue to be a tool of the socialist state, but differentiation is essential in what way this is to be understood; above all, this thesis must be supplemented with regard to making socialist law more operative from the aspect of the citizen. For example, the time has come to reevaluate the opinion that civil law is simply a control tool of the state.¹³

If one differentiates and elaborates the dependence of the state on the law and the dependence of the law on the state in their great complexity, one can avoid any possibility that state and law confront each other in this or that area. Such a differentiated view of the relationship between state and law will also considerably increase the authority of both the state and the law and, in addition,

will increase the decisionmaking security and predictability of state decision results, which is very important for the strengthening of the relationship of trust between the citizen and the state.

When we speak of the GDR as a socialist state governed by law, then that is—as we said before—both an accounting of legal policy and a task set. We do not provide the description of a static legal condition, but always see the state governed by law in its development capability and development need.

Just as socialism is not a condition, but movement, the socialist state governed by law can also be understood only as one under constant development, as a legal developing state. As for the GDR, the direction of development is postulated in the SED party program which is based on the social theory concept of modern, developing socialism.

Footnotes

1. See Programm der SED [SED Program], Berlin 1976, pp 41 and 43.

2. K. Hager, Aus dem Bericht des Politbueros an die 6. Tagung des Zentralkomitees der SED [From the Politburo Report to the Sixth Meeting of the SED Central Committee], Berlin 1988, p 66.

3. E. Honecker, Bericht des Zentralkomitees der SED an den XI. Parteitag der SED [Report of the SED Central Committee to the 11th SED Party Congress], Berlin 1986, p 74.

4. In my opinion, the importance of legal policy since the Eighth SED Party Congress for the development of constitutionality in the GDR would be curtailed if one were to put an equal sign, so to speak, between the present interpretation of a state governed by law and the concept from the mid-1960's, when there was already talk of the GDR as the "democratic German state governed by law" (compare Protokoll der Verhandlungen des VII. Parteitages der SED [Protocol of the Debates of the Seventh SED Party Congress], Vol I, Berlin 1967, p 89 f.). In the dialectics of continuity and renewal, in this case the scales are clearly tipped in favor of renewal. Hence I cannot join in opinions which try to establish a linear connection between the then concept of a state governed by law and the present definition of a state governed by law (as, for instance, M. Benjamin, "Zum sozialistischen Rechtsstaat" [On the Socialist State governed by Law], STAAT UND RECHT 1989, No 2, p 99ff.

This is not the place to present in detail the political-historical and ideological foundations of the 1960's concept of a state governed by law. That concept actually can only be understood in light of the special situation at that time, when the FRG challenged the legitimacy of the GDR. Therefore, the thesis of the "democratic German state governed by law" was essentially meant to express

the historic justification of the GDR state vis-a-vis the FRG state. Thus the thesis of the GDR state governed by law was above all a thesis of ideological and theoretical defense against the juristic aggression against the legitimacy of our state.

5. Incidentally, the early development in Russia or the Soviet Union, respectively, was also judged from these positions. For example, K. Korsch ("Die Verfassung der Vereinigten Sozialistischen Sowjetrepubliken" [The Constitution of the United Socialist Republics], DAS NEUE RUSSLAND, No 5/6, p 33) said it was a matter of implementing the type of a Soviet state governed by law.

6. Here should be recalled the scientific conference of 28/29 September 1967 with the topic "On the function of bourgeois state ideologies in the aligned society of state-monopolistic capitalism in West Germany," in which there were also controversial discussions about the socialist state governed by law. See the protocol volume, "Illusion und Wirklichkeit des Rechtsstaates" [Illusion and Reality of the State governed by Law], Berlin 1968, pp 21ff., 58ff., 105 ff., 135 ff., 176 ff., 219 ff., 222 ff., 240 ff. On the ideological assessment of this controversy at that time, see H. Melzer, "Die Funktion der bürgerlichen Staatsideologien in der formierten Gesellschaft des staatsmonopolistischen Kapitalismus in Westdeutschland" [The Function of Bourgeois State Ideologies in the Aligned Society of State-Monopolistic Capitalism in West Germany], STAAT UND RECHT 1967, No 12, p 2014f.

7. K. Polak, "Gewaltenteilung—Menschenrechte—Rechtsstaat (Begriffsformalismus und Demokratie)" [Separation of Power—Human Rights—State governed by Law (Formalism of Concept and Democracy)], EINHEIT 1946, No 7, p 399 (also in: K. Polak, Reden und Aufsätze [K. Polak, Speeches and Essays], Berlin 1968, p 142.)

8. K. Heuer, "Ueberlegungen zum sozialistischen Rechtsstaat DDR" [Reflections on the GDR Socialist State governed by Law], NJ 1988, No 12, p 478.—The quotation from R. Meister is taken from his book, "Das Rechtsstaatsproblem in der westdeutschen Gegenwart" [The Problem of the State governed by Law in Present West Germany], Berlin 1966, p 278.

9. See E.W. Boeckenfoerde, Staat—Gesellschaft—Freiheit [State—Society—Freedom], Frankfurt/Main 1976, p 65.

10. See E.W. Boeckenfoerde, *ibid.*

11. See O. Mayer, Deutsches Verwaltungsrecht [German Administrative Law], Vol I, Berlin 1895, p 561.

12. See E. Honecker, *op. cit.*, p 59f.

13. Compare, for instance, Zivilrecht, Lehrbuch [Civil Law, Textbook], Part I, Berlin 1981, p 20f.

HUNGARY

Joo on MDF Foreign Policy Program

90EC0119A Budapest HITEL in Hungarian
18 Oct 89 pp 56-59

[Article by Rudolf Joo, Executive Committee member of the Hungarian Democratic Forum: "Comments on the Foreign Policy Program of the Hungarian Democratic Forum"]

[Text] The international relations system that evolved after World War II has undergone fundamental changes in recent times. This bipolar system, in which each pole represented internally homogeneous, yet externally diametrically opposed political systems has become an irrevocable thing of the past. During the past 2 or 3 decades the balance of power has substantially changed and new centers of power have emerged, all of which has substantially helped to dissolve the rigid, bipolar power model. Soviet and Central-East European developments during the past year or two appear to burst the structure entirely. An increasingly more pronounced image of a multi-centered, global civilization is emerging. Paralleling this, new solidarity ties to avert a nuclear or environmental catastrophe which threatens human existence evolve on global, regional, and area-wide scales, increasingly transcending rigid bloc and state borders. Members and groups of civil society—economic and social organizations, ethnic and cultural communities—emerge as independent, new actors in external relations. This is supplemented by, and intertwined with the increasingly more colorful array of international governmental and nongovernmental organizations which transcend state borders, as well as boundaries established by the two systems. This process does not challenge the states' primary role in formulating global policies, and as fundamental units of global politics. The present international system is centered around the state. This will remain so in the foreseeable future. As closed ideological and political systems disintegrate in Europe, the two opposing military blocs will have to adapt to a changing world. Such adaptation is manifested in new defense doctrines, by internal structural and organizational changes, and by a more flexible interpretation of "discipline among allies." Nevertheless, not even these efforts and changes are likely to ensure the long-term survival of military and political organizations. They increasingly lose their purpose in a rapidly changing milieu.

The appreciation of Europe's, and within it Central Europe's stock represents an intent to transcend the traditional East-West conflict characterized by the Iron Curtain. Primarily the small and medium-sized nations of the region were adversely affected by that artificial division of the continent. Thousands of historical, social, and cultural ties that linked us to the Western part of Europe were severed. We became peripheral countries to a new sphere of power which came about as a result of non-organic development. Due to the closed "camp" outlook and practice of the system, our countries were

left out of, or received a disproportionately small share of a number of technical, economic, and social achievements during the past 40 years. West Europe also suffered losses as a result of the division. By now, Western power factors belonging to different "political families" claim that European solidarity must transcend the borders of the European Community, because the EC is only "one half of a pair of lungs" in a healthy body. Due to cultural, historical, or geographical reasons, Central European countries neighboring, or near to the Community constitute a more natural zone for cooperation and relationships to the EC than, for example, countries in Africa, in the Pacific or Caribbean area, and most countries in the Mediterranean area.

Europe is not merely a geographical concept. It much rather represents a unity of ideal values. Spiritual relationships among the people of this continent were shaped by the heritage of the ancient world and Christian civilization, the traditions of reformation and enlightenment, and by the competing trends of liberalism and democratic socialism. At any given point in time, Europe's borders were drawn at a line beyond which expression of these common values and endeavors in their individual, national forms was impeded.

Relaxation of rigid allegiances to blocs, and the advancing ideal of establishing parliamentary democracies in Central and East Europe simultaneously underscore the national and European identity of the small nations involved. The crisis evoked a variety of responses within the political divisions of East Europe. These differences in response not only accentuate thus far hidden or suppressed national historical or cultural features. They also set in motion forces aimed at a more independent and more equal orientation. The renaissance of patriotic feelings and ethnic consciousness represents a dual trend, just as it did in the past. On the one hand, it holds out the promise that international relations will be pursued in a democratic manner, and that a long hoped for synthesis between national profile and European character can be (re)established. On the other hand, economic and social decline and confusion may receive a politically unmanageable emotional charge, on occasion coupled with real national grievances, or (and this represents a major difference in content) with nationalistic (e.g. anti-minority) campaigns. This would force the turn of events in our region toward violence.

Hungary's sheltered situation in world affairs has come to a permanent end. Its present international milieu is extremely mobile, and is undergoing rapid transformation. At the same time, this mobile and transforming environment provides a larger sphere of action for Hungary, one that also holds more risks for Hungary. A large number of crisis situations with unpredictable consequences have evolved in Hungary's neighborhood and not too far from its borders. These may impact on both our domestic and foreign policies.

The increased sphere of movement is not endless, however. Not even the great powers, or other, much stronger

and richer countries with more favorable geographic conditions enjoy an endless sphere of movement. A fully independent orientation by Hungary would have geopolitical, economic, and other limitations. Although views differ in regard to the weight, durability, and manageability of these limitations, they must be reckoned with short- or long-term management of Hungarian foreign policy, irrespective of political party platforms. Taking Hungary's present situation as the basis, these limitations include Hungary's membership in the Warsaw Pact, the Soviet military presence, the country's high degree of dependence on imported energy and raw materials, and the state's gross indebtedness of \$20 billion. The fact that we are a divided nation within the Carpathian basin is a peculiar deterministic factor in our international relations and foreign policy. One-third of the Hungarian ethnic population resides in neighboring countries. From the outset, these given factors determine several essential points of the path our foreign policy must travel. Nevertheless, even today, the sphere surrounded by constrained courses of action is broad enough for the Hungarian Democratic Forum [MDF] (and for a few other opposition parties) to establish feasible alternatives to present international relations policies established by the government.

Our national interests are determined primarily by the peculiar features of this nation's historical path, our geographic location and size, resources, social and economic features, and the unique features of our language and culture. In defining our national interests we must start out from the nation concept that evolved historically in this region. This concept is characterized by the fact that national belonging is not limited to those holding citizenship. According to this concept, anyone who professes to be Hungarian within or outside of Hungary—the latter having a minority or dispersed status—is a member of the Hungarian nation. Decisions made in Hungary are consistent with the national viewpoint only if they consider the situation and needs of ethnic Hungarians compelled to settle beyond our borders. Above all, this consideration demands that our foreign policy declare and enforce the idea that Hungary is responsible for the fate of Hungarians beyond our borders. (Israel's, the Federal Republic of Germany's, Yugoslavia's, or Austria's attention to the Jewish dispersion, the German ethnic groups, the Southern Slavic ethnic minorities, and Germans residing in Southern Tyrol respectively may be regarded as foreign parallels to this kind of foreign policy outlook.) Hungary must act far more firmly, and in far more imaginative ways in the interest of existentially threatened Hungarians in some neighboring countries. Despite most recent developments, the Hungarian state manifests grave backwardness in this regard. This is so insofar as taking advantage of international forums, exerting propaganda outside of our borders, and establishing an institutional system within Hungary, one that deals with this matter, are concerned. In particular, a well founded governmental policy relative to the largest of Hungarian minority groups is lacking. This group resides in Transylvania and

suffers the gravest oppression. A policy of this nature would encompass alternative action possibilities in regard to a variety of issues, ranging from refugee affairs through the satisfaction of immediate cultural needs, all the way to a plan for a future, autonomous existence.

Caring for the Hungarian minority beyond our borders on a regular basis must become part of a comprehensive national strategy. Such a strategy could be successfully established and represented in the international arena only by a firmly democratic, renewed Hungary. Accordingly, our foreign policy interests in this matter also demand the rapid, radical, nonviolent establishment of full constitutional statehood. A citizen may become actively involved in policy making and control—thus also foreign policy making and control—to the same extent as civil society is able to regain its weight from the overly centralized party state system. One may be able to measure, and see through the process by which the national interest is defined, and by which Hungary's credibility increases as it pursues an offensive human rights diplomacy abroad in the proportions of such a change.

Within an overall, national strategy, foreign policy should be streamlined with economic, defense, energy, and other subordinate policies, in order to reduce the extent of one-sided dependencies. The achievement of mutuality and diversity in relations should become one of the main goals of our foreign policy. If successful, this endeavor would further increase Hungary's sphere of movement, even if present European bloc structures continue to exist for the time being.

It would be desirable to build relations in one direction while not permitting relationships in other directions to decline. Our economic interests suggest that we replace the existing disadvantageous forms of CEMA relations with cooperation based on market principles and on direct relations between enterprises, and that selective bilateral development take place. Such developments may be feasible primarily in relation to Central and East European countries whose transformation evolves almost in the same direction as does Hungary's (as of autumn, 1989 we may include here Poland, Yugoslavia, and the Soviet Union). Nevertheless, attempts must also be made to relax the command-type economic management methods in other countries in order to enhance cooperation.

It appears that the Soviet leadership is reassessing its fundamental foreign and military policies. Certain signs indicate that as a result of present levels of weapons development and changing defense doctrines, the significance of troops stationed in Hungary (and perhaps elsewhere) will decline. Under new circumstances the significance of the Warsaw Pact will also depreciate from the Soviet viewpoint. Full removal of the Soviet military from Hungary would not "statically" affect the established European balance of power. Hungary should stress this fact in the form of a diplomatic initiative. At the same time, Hungary should point out to the West that

Soviet troop reductions in Hungary would slow down if American air force bases in Spain are relocated to Northern Italy, as planned.

The Soviet Union may be indifferent concerning Hungary's Warsaw Pact membership. Supposedly, it would be in the Soviet Union's primary interest to have a politically and economically balanced Hungary as its immediate neighbor, one that does not threaten Soviet security interests. As can be seen from the Finnish example, this latter requirement may be satisfied by way of a bilateral agreement. The Finnish example cannot be copied, it must be studied instead. A neutral Hungary based on a parliamentary system and a social market economy [as published] would be able to establish a solid partnership with the Soviet Union. Also for this reason it would be in the interest of every responsible Hungarian political force to maintain Soviet confidence and understanding relative to the transformations that take place in Hungary.

Hungarian diplomacy must define neutrality as a realistic future goal. It is apparent that the pace at which neutrality can be accomplished, and the intermediate stops in the process will be defined largely by global political factors. These factors include armament and troop reduction negotiations pursued mostly above our heads, as well as the way the international atmosphere evolves in general. It would be even more difficult to prognosticate a method in the context of international law by which neutrality could be proclaimed. The neutral status of Finland, Austria, Switzerland, and Sweden came about in the framework of peculiar historic contexts, and therefore cannot be copied mechanically. Nevertheless, it is worth studying these patterns, particularly in relation to defense doctrines related to the neutral (non-committed) status and in regard to military policies.

The independence of Hungarian foreign policy may be increased even if the Warsaw Pact is recognized, provided that the Warsaw Pact's military organization becomes outwardly more open, and if it does not in any way impede linkages among other member countries in any direction. Further conditions for a more independent Hungarian foreign policy are as follows: Relationships among Warsaw Pact member countries must be based on confidence and on the principles of reconciliation and equal rights, and must rule out both in principle and in practice the use of force, and a resultant dependence and state of being threatened. From a legal and political point of view, a public rejection of the Brezhnev doctrine would constitute the latter. Our sphere of action would also increase if Hungary remained a member of the Warsaw Pact political organization, while reducing or fully discontinuing its military role in the Pact. (In this case the 1960's French example vis-a-vis NATO would be applied.)

During the last year or two Hungarian diplomacy has become more active, particularly if compared to the totally dependent foreign policy conducted during the

past decades. That foreign policy was devoid of characteristic features. Nevertheless it still remains a future task to change the dependent-follower policy into a pronouncedly independent-catalyst type policy.

To take advantage of our new international situation in a flexible manner is in our interest. This can be accomplished by implementing a kind of cultural and scientific diplomacy that is both offensive and adaptive. Our opportunities to build relationships appear to be expanding in the most important power centers of the world, in geographically distant places and with some self-qualifying exceptions, also in Europe.

The government that will come about in the wake of free elections will be in a position to greatly increase foreign confidence in Hungary. It appears that a future coalition expressing the nation's democratic will may count on significant economic and financial assistance which, in turn, will consolidate its position. In a manner similar to Poland, competent Hungarian public opinion will regard the upcoming period as the practical test of the West's commitment to freedom. It is in our national interest that the majority parties emerging from the elections—and also responsible elements in the future opposition—mobilize Hungary's international relations to avert the common danger of economic collapse and social bankruptcy. Even the international implications of a delay in resolving the crisis would have tragic consequences, if such a delay results from impediments caused by partisan politics played by any one of the political forces. Suffice it to recall a few of the mutual effects in Hungarian, Polish, and Soviet developments.

Our attention is focused on Europe because of our geographic location. Today, Hungary is finding its place between a Western Europe in the process of becoming integrated, and a disintegrating East Europe. It is making attempts to reestablish its identity of being both Hungarian and European. By combining our intentions and our abilities we may contribute to efforts to permanently free our continent from the remnants of the Cold War. We should take advantage of opportunities to dissolve the bipolar bloc structure already at this point, and help transform the military alliance systems into a framework of security. This means the adoption of doctrines having a defensive character on both sides, the rendering of a "structural inability to attack" as a general phenomenon, as well as increased openness and accountability in the military. The process will be enhanced by overlapping power zones, by the evolution of intermediate structures transcending the blocs, and by creating zones which strengthen confidence, security, and unarmed relations along borders.

We may view the appreciation of East Europe's political stock primarily in this context. East Europe is a characteristic crossroads from both a geographical and cultural standpoint. Historically the region served as a clashing point just as it was a scene of meetings and the evolution of relationships. It is a unified scene which blends both "Eastern" and "Western" influences in a peculiar

fashion. Its small and medium-sized nations are linked by a centuries old communal sense which compounds identical fates and conflicts. Rekindling the historical concept of Central Europe, the underscoring of the in-between situation in terms of geography and culture could also serve existing political purposes. It would be one of the means by which the people of Central Europe could achieve their emancipation in both a national and a European sense. This would be a kind of a transferring ideal, changing the region's "East European" identity established by the Yalta status quo and by Stalin's state socialism into an identity of being European, without adjectives. The idea of Central Europe could truly and fully serve the process of European, only if it was based on realistic, rather than on nostalgic concepts (e.g. by going through the useless and self-jeopardizing mental exercise of rekindling permanently outdated forms of government). Its purpose should be to develop an open, loose (and not closed and rigid) system for regional cooperation.

Cooperation between Scandinavian states—the Northern Council—may serve as an example to demonstrate that it is possible to establish a loose, flexible, yet functional consultative and cooperative framework in a large region regarding matters of law, culture, the economy, environmental protection, and social issues. Underscoring this experience, Hungarian diplomacy should urge the establishment of a useful, multilateral, Central European form of relationships which enhances, and does not impede the process of becoming European, in the broader sense of that term.

The European Community and its institutional system is the chief strength and center for integrated European development. The growing significance of the economic and political union which unites the twelve states is apparent not only in comparison to a disintegrating CEMA. It is also apparent in comparison to other West European cooperative frameworks (e.g. the European Free Trade Association or the Council of Europe). Hungary has both economic and political interests in elevating its relationship with the European Community to a new qualitative level. This relationship is not just one of several. In it our multilateral relations with the integrated Community itself, and our bilateral relations with the member countries, are intertwined and strengthened by each other. It is in the interest of Hungary to initiate further preferential free trade agreements with the European Community, beyond the agreement reached in 1989. From the standpoint of its integral content the 1989 agreement is rather weak. A multifaceted examination of Hungary's long-term expectations from a future united Europe must not be delayed. This examination should focus not only on economic issues, and perhaps not even primarily on economic issues. Just what values Hungarian diplomacy must convey to the extent it is capable to do so as a political goal, and what values should form the axis of its endeavors in Europe if it wants to/is able to join the European Community in the future, must be clarified.

European social endeavors which count on Hungary must have as their centerpiece the free, autonomous person protected by a strong net of human and social rights against excessive power exercised by the state and by the marketplace. It is in our interest that this multifaceted intertwining process represent a new, higher level framework for coexistence between the affected societies, nations, ethnic groups, homelands, and areas. As a result of a democratic rearrangement of Europe we certainly may expect to discover a new outlook with regard to borders. This will provide new opportunities and forms for self-determination in divided nations and areas along borders.

Hungarian foreign policy must be open toward all states that observe the principles of international law. In the framework of its activities, Hungarian diplomacy must enforce all principles and standards contained in the UN Charter, in the Universal Human Rights Proclamation, and in other applicable international documents. Hungary should develop its cooperative relations with every country on the basis of equal rights and mutuality; it should endeavor to establish good relations with all great powers by following these principles. It should endeavor to restore full diplomatic relations with all those states (e.g. the Vatican and Israel) with which diplomatic relations were severed on the basis of alien viewpoints. Hungary should enhance the creation of new ties of solidarity among the people of Central Europe through diplomacy which underscores democratic principles in relationships between states, as well as the traditions which favor human rights and historical coexistence. Hungary should make efforts to improve already deteriorated intergovernmental relations with some states by violating neither our own national interests, nor our principles related to human rights. As much as possible, Hungary should impede the possible evolution of a coalition of countries in the region which is opposed to reform. Jointly with international organizations and foreign factors, Hungary should seek solutions to the refugee problem that is reaching tragic proportions and which strikes hundreds of thousands of people of various nationalities.

With regard to the Third World, Hungarian foreign policy should support free choice regarding each nation's and each state's path. As much as possible, Hungary should take part in all economic, educational, and other efforts which aim at closing the gap between the developed and undeveloped regions of the world. Hungary's foreign policy orientation toward the Third World must be freed from its ideological shackles. In this area our obligations should be streamlined with our national interests, our financial possibilities, and the universal principles of human rights. The outlook and practice which on occasion have helped the "non-capitalist path" by aiding dictatorships that were against the people must be terminated. In contrast to oversized and fragmented projects it would be useful to concentrate on relationships in which our external economic and foreign policy interests largely coincide.

The conceptual, organizational, and personal conditions for a Hungarian foreign policy freed from dogmas and taboos may be developed only after the free elections. In this process, however, the MDF and other independent organizations are partaking already today, by developing their own international relations and by taking positions in regard to foreign policy.

At present, the MDF is outside the pale of power; it is an opposition party and movement. It is not a governing factor; it does not participate in state decisionmaking processes. It exerts an indirect effect on Hungarian foreign policy in part by taking positions and issuing statements, and in part by playing its own international role, by presenting its independent interests and values in the framework of foreign relations.

Thus far, the MDF has been sought out by representatives of numerous foreign parties, movements, associations, and foundations with an intent to make mutual acquaintance and build mutual relations. Some of the delegations that visited here were parliamentary delegations, one represented several parties, and came with the intention of getting in touch at joint meetings, simultaneously with various opposition organizations in Hungary. Representatives of our organization held separate discussions with delegates of individual parties.

Similarly, our representatives took part in several foreign political events in a multiparty framework or as MDF delegates. These were conferences, study trips, seminars, or inter-party negotiations. The largest number of contacts were made with member organizations of the European People's Party and of the European Democratic Union. The program of this family of political parties blends the representation of Christian democratic values, the idea of a social and political center, with the requirements of human solidarity and with the guarding of national and European traditions in the modern sense of that term.

As interim special election results proved, the MDF has chances of becoming a strong, democratic centrist party (or people's party coalition). These are chances for a political and spiritual formation in which the national and European characters are expressed so as to complement rather than to counteract each other. The MDF intends to be the party of the "homeland," in contrast to parties belonging to "foreign" interests appearing in a variety of cloaks—a frequent phenomenon in Hungarian history. It intends to be a movement for an open society and for solidarity among nations, as compared to ideological isolation and the forces of power that incite national hatred.

Since the building of our relationships is not based on a closed ideology, it is not limited to the already mentioned related organizations. Consistent with our national interests, and the interests of our movement, we endeavor to cooperate with all liberal, radical, socialist, environmentalist, and other foreign political formations, and with the international federations of these.

Independent organizations in Central Europe which have similar goals but function under different conditions are our natural allies. These include the Polish Solidarity, the Czech Democratic Initiative, the people's fronts of the Baltic nations, the Croatian Social-Liberal Party, and the Slovenian Democratic Alliance.

Beyond inter-party relations, we have established cooperative ties mainly with Human Rights organizations and with associations of Hungarians residing beyond our borders. As far as the Human Rights organizations are concerned, any Hungarian democratic force which has as its goal the dismantling of the authoritarian party state counts also as a human rights movement in the final analysis. It is self-evident that we made contact with nongovernmental international organizations which protect civil rights and political liberties. Members of the MDF were active in establishing two human rights groups in Hungary: the Hungarian League of Human Rights (Budapest section), and the Hungarian Helsinki Committee.

The MDF is one of few Hungarian organizations which has supporting members among Hungarians residing abroad, and who have established friendly circles in several West European cities. Generally speaking, Hungarians in the minority in neighboring countries have no opportunity to establish closer personal ties. The MDF acted jointly with Hungarian organizations in the West to protect the human rights of minorities in Transylvania. Supported by Hungarian organizations in the West, the MDF published its English language "Report" concerning the Romanian government's nationalities policy, and took action jointly with these organizations to accurately inform the UN Human Rights Committee in Geneva about the Romanian situation, and about refugee affairs involving mainly the minorities.

Pozsgay Distances Self From Communism in Speech

*25000533A Budapest NEPSZABADSAG in Hungarian
2 Nov 89 p 3*

[Article by Gyula Fejer: "Pozsgay Does Not Regard Himself a Communist; Hungarians Abroad Should Not Need a Visa"]

[Text] "An old dream is coming true." This is the way Andrew Timar, businessman and executive secretary of the Canadian Association of Hungarians, began his introduction of Imre Pozsgay late Tuesday evening. Timar is well-known in Hungary, and the occasion was a dinner party organized by the Hungarian community in Montreal at the Catholic church. Timar talked about Hungary's transformation and about Pozsgay's merits in relation to that transformation. "He is the one who guarantees transformation, and enjoys the confidence of Hungarians in the West who observe Hungary's fate with concern. These Hungarians have helped Hungary before, and hereafter they will do so even more."

In his brief presentation Pozsgay summarized the domestic events in Hungary. He was applauded when he announced that as a result of the republic proclaimed on 23 October, Hungary had once again become a constitutional state. He explained that the political scene must be changed first, even if that process creates extreme torment, because without that, every endeavor aimed at the renewal of the economy would be grounded. He talked about the deepening relationship between Hungarians in Hungary and those in the minority abroad, and underscored the fact that as a result of this relationship we are not troublemakers in Europe, as that accusation can be heard.

Thereafter the state minister responded to questions which frequently evoked consternation. He was asked to respond by using a single word: Does he or does not he consider himself a communist. "No," Pozsgay replied, and then added that he began his political career as a communist with sincere faith. And it was particularly for that reason that the path he had to tread was so tormented.

About the establishment of the Hungarian Socialist Party [MSZP], Pozsgay said that being an MSZP member is no career ambition. It takes real determination to be an MSZP member in an area where the left-wing movement has been discredited by stalinism. No transformation could have taken place without the left-wing forces.

Hungarians in Montreal were interested in knowing when the need for a Hungarian visa to enter Hungary will be discontinued. Pozsgay announced that Hungary would like to create a law on citizenship which enables Hungarians throughout the world to enter Hungary without a visa, even if visa requirements exist between their adopted countries and Hungary.

Pozsgay resumed his travel to Ottawa after the meeting. There—after press time—he negotiated with leading Canadian politicians including Governor Jeanne Sauve and Foreign Minister Joe Clark. He was received by Prime Minister Bryan Mulroney.

Editorial Praises Gorbachev's Helsinki-2 Proposal

*25000530 Budapest NEPSZABADSAG in Hungarian
30 Oct 89 p 3*

[Article by Peter Dunai: "For a Better Europe"]

[Text] It has been 15 years, more or less, since a document to establish and broaden the security of the continent was signed in Helsinki by the leaders of 35 nations. In the course of his present trip to Finland, Gorbachev raised the idea of holding a Helsinki-2. In those days, a decade and a half ago, circumstances and the global political backdrop were far less favorable than they are today. Nonetheless, the sober mind prevailed and the idea of European consolidation based on identical interests was approved.

The chances for progress in Europe are far better today! A new way of thinking in foreign policy and Soviet perestroika has resolved numerous complex issues which at the beginning of this decade disturbed, and sometimes barred European and East-West relations. Last Friday at the Sari-Ozek fortification in Khazakstan the corps of engineers blew up the last batch of four Soviet short-range nuclear missiles, and a few weeks ago a compromise of historic significance reached in Wyoming opened the path to a "strategic halving" agreement. The main line of Soviet foreign policy leads through the system of relationships tied to Washington and to Europe.

And in this sense, Europe means more than the Western part of our continent. The other day, appearing before the Supreme Council, Shevardnadze underscored the fact that the most deep-rooted change in Soviet foreign policy and diplomacy must be made with regard to Warsaw Pact member countries, including substance, method, and style. And all these changes must be supported by a background characterized by patience toward alternative forces, trends, and systems, and toward sovereign equality, and rejection of any kind of interference.

Europe's future depends largely on the manner in which Eastern European democratization processes, advancing at the speed of a storm and apparently unstoppable, relate to the pan-European trends, without creating a crisis situation in complex international and European conditions, and while taking the appropriate security concerns of all affected parties into consideration, including those of the Soviet Union. This issue was raised with Soviet leaders by all Western politicians visiting Moscow in recent weeks, without exception—from Margaret Thatcher, to Willy Brandt, to Zbigniew Brzezinski. Gorbachev's hosts in Helsinki also raised this issue. The Soviet leader assured his Finnish hosts that Moscow has neither a political nor a moral base upon which it could assert the right to interfere with the Eastern European democratic changes. (At the same time—as spokesman Gerasimov explained regarding Poland and Hungary—although these countries may freely choose their political systems, they would have to respect their international commitments.) The joint communique signed by Gorbachev and Koivisto in Helsinki is more clear about the permanent rejection of the Brezhnev doctrine than anything else: "Any dispute, including regional issues, must be resolved through peaceful, political means. Violence cannot be justified in any form, neither between the two military and political alliances, nor within the individual alliances."

Conversing with Finnish journalists, Gorbachev called attention to the positive experience gained from the Soviet-Finnish relationship, which was viewed with suspicion earlier by the West—the process of "finlandization." This kind of contribution made by Moscow and Helsinki to a common House of Europe "must be considered by all of us here in Europe."

Accordingly, the proclamation is also addressed to Budapest, particularly because Finnish and Hungarian history—whether it pertains to a thousand years or to the events of only a few months ago—contain a number of common elements. Their present may be our future.

Gorbachev suggests that a new Helsinki summit be held in 1992. Undoubtedly, Helsinki-2 means the strengthening of the status quo of a new Europe, and of the basic principles that foster cooperation and integration. It will be a milestone on the path toward a better Europe and a better world. And this is the path followed by Budapest, waiting for 1992, for Helsinki.

Moscow, 29 October 1989

Opposition Parties Receive Office Space

Somogy County

25000533C Budapest NEPSZABADSAG in Hungarian
1 Nov 89 p 10

[Text] The Somogy County Council has adopted a resolution on the basis of which the basic conditions for the functioning of opposition parties will be established in Kaposvar. The Council asked the Kaposvar City Council that manages housing to provide at least temporary office space in the former MSZMP [Hungarian Socialist Workers Party] Educational Directorate building for the three organizations which do not have offices. The three organizations are the Alliance of Free Democrats [SZDSZ], the Association of Young Democrats [FIDESZ], and the Hungarian Social Democratic Party [MSZDP]. The County Council agreed to pay half the rent and the cost of establishing independent telephone lines. The office space concerns voiced by the Hungarian Democratic Forum [MDF] were resolved earlier, and the possibility for communications was established when the County Council agreed to yield one of its own main telephone lines.

Budapest 14th District

25000533C Budapest NEPSZABADSAG in Hungarian
2 Nov 89 p 5

[Text] Effective 15 November 1989 the Hungarian Socialist Party [MSZP] 14th District coordinating committee will temporarily yield—until such time the final settlement is made—four area party offices to the 14th District council in order to establish operating conditions for political parties in the district. The 14th District Council will permit the use of these offices by the member parties of the Zuglo Opposition Roundtable until completion of local elections, at the latest.

Progress Report on Workers Guard Property

25000533B Budapest NEPSZABADSAG in Hungarian
4 Nov 89 p 11

[Text] Preparations have begun for putting Workers Guard property to good use as soon as possible, if indeed

the [26 November] referendum confirms the decision reached by Parliament. Government Commissioner Nandor Gruber said that in the course of preparations all persons expressing interest were informed. A public competition will be announced regarding the utilization of that part of Workers Guard property which constitutes national property. The State Developmental Institute [AFI] is responsible for summarizing the proposals and informing interested persons. Information concerning a listing of real estate offered for use may be obtained by calling 118-2094, 118-4014, and 118-4638.

The government commissioner stated that Workers Guard assets constitute an organic part of national property, and that therefore any proposed use must be in the interest of society. This should not be interpreted to mean that the committee preparing such utilization would disregard suggestions made by local councils and interest representation organs. The committee is looking forward to receiving such recommendations, particularly if assets are intended to be used for cultural, social welfare, health care, or other societally important purposes. Suggestions should be submitted to the Deak Ferenc Street headquarters of AFI, and the submissions should indicate that they pertain to the utilization of state property. The deadline for submissions is 30 November 1989.

POLAND

Registration of German Minority Association Brews Controversy

90EP0128A Warsaw PRZEGLAD TYGODNIOWY in Polish No 44, 29 Oct 89 p 7

[Article by Majka Lisinska-Kozioł: "Can Germans Be Part of Poland?"]

[Text] An amateur photographer captured a crowd of people on film. This was on 24 July 1989 in front of the court building in Opole. On that day, the Voivodship Court convening under the chairmanship of Judge Maria Przelucka, rejected the proposal pertaining to the registration of the Socio-Cultural Association of the German Minority in Slask Opolski with its headquarters in Gogolin.

The court established that the activity of the instituting group is being supported by a revisionist campaign in the FRG and that this group (...) "in representing its political interests wants to exert pressure in an organized manner on administrative agencies in order to gain specific advantages," adding further that "the registration of the Association may cause public calm and order to be threatened and it will not contribute any positive values to the people and community of the Opole region."

The court also assumed the position that the status of Poland's Western and Northern Territories is determined by Polish reasons of state and that the German issue, which has resulted from the Potsdam Agreement,

has been settled in the PRL once and for all. On the other hand, "the petition concerns the registration not of a socio-cultural association but, in fact, is aimed at the formal recognition of the existence of the German national minority in Slask Opolski."

In passing such a judgment, the Voivodship Court in Opole based itself—so we read in the detailed five-page typewritten justification—on the Order of the Minister of the Regained Territories of 6 April 1946 and on the statute of 28 April of the same year. According to them, the obtainment of Polish citizenship required the fulfillment of several conditions of which of particular significance was proof of Polish nationality by those interested. Confirmation of it [nationality] by the appropriate administrative agencies was to be preceded by verification of nationality—as we read in the justification—at the request of those interested. Also at their request, Polish sounding first names and surnames were restored to their names. Thus, in the opinion of the court (...) "the assertion contained in the substantiation of the petition that persons of native extraction had been forced to accept Polish citizenship is in flagrant contradiction with the provisions of the above quoted legal regulations and with the statistical data from which it follows that a considerable part of requests for Polish citizenship were denied." Furthermore, the court cited a decree from 13 September 1946 regarding the exclusion from Polish society and stripping of Polish citizenship persons who had demonstrated their German separateness as well as the act of 8 February 1951 and 15 February 1962 in the light of which by rule of force, those persons became Polish citizens who had obtained verification of their Polish nationality and whereby the children of parents who obtained Polish citizenship by proving their Polish nationality were to be considered Polish nationals and citizens. And if we are to add that the German population had been transplanted to Germany between 1945 and 1950 or emigrated there later within the provisions of the campaign of uniting families, then it clearly follows, in the opinion of the court, that there is no German minority in the Opole region. And since that is the case, then: "It cannot be accepted that the confirmation of a larger or smaller number of people of German nationality is sufficient to recognize the existence of a German minority and this in the form of registering the Association."

The Association's Founding Committee filed an appeal to the Supreme Court through its attorney, Waldemar Miedziejski, in view of such a judgment of the Voivodship Court in Opole. In the appeal, the attorney refers to the law on associations of 7 April 1989. Its Article 1 provides for the right of Polish citizens to organize into associations in accordance with the constitution and legal order. The purpose of this law is to make it possible for citizens "regardless of their convictions, to have equal right to participate in public life, express differing opinions and implement individual interests." Therefore, we read in the appeal: "Polish citizens who wish to

admit their German nationality and form the German Minority Socio-Cultural Association should have the right to do so."

It is an open secret in the Opole region that the number of Silesians opting for Germanization is ever-increasing. Sociological studies have shown that for decades, the population of Silesia was divided into Silesians with a Polish, a regional Silesian and a German identity. Currently, the group identifying itself as Polish is the smallest of the three. The fact that this is happening is in large measure due to numerous mistakes which the people's government had made during the last 40 some years with regard to Silesians. Following World War II, the long awaited liberation reached Slask along with the Soviet Army. At that time, rape, robbery and plunder were a daily occurrence. Also at this time, the majority of men in their prime were transported deep into the backwoods of Russia. Immediately afterwards, the people's government, i.e., its local representatives took over the administration of the Regained Territories. Most frequently, these were people with military medals but uneducated who did not quite understand the importance of the role that they were to perform. Therefore, for the most part they confined themselves to placing Germans in temporary camps such as the one in Lambinowice near Opole where the conditions were atrocious and the camp's commandant, Gembrski, was sentenced in 1956 for numerous crimes. Together with the Germans, many Silesians who were treated as potential Germans or at best as inferior Poles found themselves in such camps.

Perhaps if Poland were fully democratic or wealthy, therefore capable of unfolding broad and optimistic perspectives before its citizens, Silesians would be disposed toward such a paradise. But since our country is as yet far from being a land of prosperity, many people from Silesia and from the Opole region, in particular, want to leave here at all costs even if this means opting for Germanization. These are primarily people who are led by economic considerations. In others, attachment to the concept of family takes precedence. Thus, attachment to the place where they were born and where to this day their home has been preserved owing to the fact that at one time they were able to prove their Polish nationality. They are Polish citizens and want to remain as such but now that times have changed in the PRL, they want to have the right to cultivate their true ties with German culture—something which they had concealed until now.

The latter includes such people as members of the Founding Committee of the German Minority Socio-Cultural Association in Slask Opolski: Jan Krol, Henryk Krol, Karol Sapok, Eryk Szmidt, Hubert Materla, and Ryszard Urban. The leader is the currently 71-year-old Jan Krol (Kroll), farmer, social activist, councillor of many years honored with the Cavalier's Cross of the Order of the Rebirth of Poland for his work in the Opole region and for his initiative.

All of the aforementioned are aware of the distrust with which the majority of Poles treat that which is German. The "German Scarecrow," pulled out by the Polish authorities during crises of all sorts, has had its effect. The people in Poland are afraid that "the German hydra" will again raise its head and will start biting. The representatives of the German minority are also aware that the acceptance of their association will have to be tied to the breaking of many mental stereotypes and canons which until now have been held as valid.

Jan Krol states, "Everyone of us has some sort of ill feeling, some sort of wound following the war but this is part of the past. Times have come which compel us to think about what will happen in the future."

On 1 September, the 50th anniversary of the outbreak of World War II, the Founding Committee had the intention of coming out with an appeal to have this date recognized as a turning point in the mutual relations between Poles and Germans. After 50 years of remembering injustices, for the next 50 years both nations would strive for understanding and developing friendly relations which prevail, for example, between Germany and France. In section three, paragraph three of the Association's statute, we read that its objective is "to strengthen friendly ties and coexistence between the German and the Polish population."

"I constantly hear it being said that Poland belongs to those countries which want a united Europe," continues an irritated Jan Krol. "Therefore, let shallow minded people realize that there can be no unification if, first of all, the Poles and the Germans do not come to some sort of agreement."

"The purpose of the Association," states Henryk Krol, the youngest and most fluent in Polish, "is to have young people stay here in Poland. However, proper conditions are necessary for this, particularly economic ones which have the greatest impact on the imagination. Germans living here could fulfill the role of a link between Poland and the FRG. Undoubtedly, it would be easier for us to mediate the obtainment of credit or loans which could revive industry or agriculture in this region. Lech Walesa can do this in the area of Gdansk and we could do this here. All the more that all inhabitants of Slask and not only the German minority would stand to gain from this."

Jan Krol: "Premier Mazowiecki had stated and General Kiszczak recently repeated these words: 'We must stop pretending that this minority does not exist.' Perhaps then, they will register us? After all, we have gathered 200,000 signatures from people who claim that they are of German nationality. This has its significance, although, as you know rumors have been spread that we paid from 30 to 50 marks per signature. This is some story! Where would we get such money? I heard this for the first time on the radio. I happened to be in Tarnow at the time but I picked up the receiver and called the broadcast station. 'Give me the address,' I said, 'where

they pay out these marks. I have an entire busload of people here who want to place their signatures and collect the money.' The address was not given to me..."

Henryk Krol: "We are being hit with the accusation that the people who signed the petition regard themselves as German but do not know German. Indeed, this does happen. But, after all, here in Silesia the study of German had been prohibited since the war. It was not used either in church or in the schools. Moreover, those who did not learn to speak or write in Polish had problems in government offices and there were times when it was necessary to submit an application with reasons just to obtain a bag of cement or tires.... Furthermore, since one out of every three Poles in the USSR does not know Polish and this does not prevent him from feeling a Pole at heart, then this can be the same here as well. All the more that in the USSR, immediately following the war, there were more than 300 Polish schools and now, there are upwards of 90. Here in Silesia, we do not have even one such [German] school."

Eryk Szmidt: "There is a saying: 'united we stand, divided we fall.' Therefore, we must strive for mutual understanding between the Polish and the German nations. After all, they were not always at odds with each other. And what about now? Not too long ago, we were taking the train and talking quietly in our dialect. A young Pole accosted us and regaled us with a stack of indiscriminate invectives adding at the end: 'to ... with your German minority.' And yet, as a 25- to 30-year-old man, he does not remember either the war or Hitler. He has had this hostility toward us instilled in him after the war; he was raised on anti-German propaganda..."

The founders of the German Minority Socio-Cultural Association in Slask Opolski also wish to restore that which has always characterized Silesians, i.e., a dedication to work and respect for order and neighborly mutual assistance. They use the term "German minority" in their name to emphasize that Slask Opolski is in Poland and that they, as a minority, exist among the Polish majority....

Jan Calka, leader of the Opole-based Solidarity whom I asked about the union's stand on the German minority, said that this is a problem of a truly delicate nature and requires a solution: "For us this is not a political but a moral problem. Prohibiting registration and attempts at solving the problem of the German minority by means of dictates will not solve anything. We feel that every individual has the right to define himself. If someone wants to consider himself German, then no rule, regulation or authority can do anything about it."

Deputies Rzemelka from the Foreign Affairs Committee and Wuttke from the National and Ethnic Minorities Committee paid Mr Krol a visit. Perhaps the representatives of various minorities will be able to present their arguments before the Sejm committees.

POLITYKA Weekly News Roundup

90EP0085B Warsaw *POLITYKA* in Polish
No 41, 14 Oct 89 p 2

[Excerpts]

National News

The second part of the 15th plenum of the PZPR Central Committee has set the date for the 16th party congress—27 January 1990. The delegates are to be elected by 20 December 1989, according to new principles: directly by the general membership and with the active and passive electoral rights of party candidates. The main conclusion of a survey of party opinion, conducted between the first and second parts of the plenum: neither a simple continuation of the PZPR nor a new party on its ruins. In a declaration on the current socio-economic situation, the Central Committee expressed "concern that the effects of the worsening economic situation will chiefly fall on those supporting themselves by working in the socialized economy, those paid out of the budget, and veterans of work." The plenum elected Zdzislaw Balicki (age 59) a secretary of the Central Committee. He is a candidate member of the Politburo and first secretary of the Wroclaw Voivodship Committee, a trained economist and journalist (editor in chief of *GAZETA ROBOTNICZA* in 1973-80 and 1982-83, chairman of the Radio and Television Committee in 1980-81).

In Gdansk, the National Executive Committee of NSZZ Solidarity met. It decided to permit the local citizens' committees complete independence and freedom in creating coordinating structures at the level of the voivodships and regions; however, it called for them to resign from the name Solidarity. (It was reported that Solidarity now has 2.2 million members.)

Lech Walesa at a press conference said that he is concerned by the current market situation: "Society is furious with Walesa, Mazowiecki, and itself. We are sitting on a powder keg of dissatisfaction. The fuse has already been lit," warned the Solidarity leader. He called for depoliticizing public institutions, the military, the militia, and the state administration, including limiting the influence of Solidarity.

Piotr Andrzejewski (age 48) a lawyer from Warsaw has been elected Senator from the Piotrkow Voivodship. He was the candidate for Solidarity; he received 65 percent of the votes. The turnout was barely 14.6 percent.

In Skwierzyn, the SD City Committee, having determined that the plants should not be an arena for political struggle, adopted a resolution removing their circles from enterprises, institutions, and offices. It also issued an appeal to the local PZPR and ZSL committees to take the same action.

Adam Michnik in *GAZETA WYBORCZA*: "The Solidarity movement needs more varied institutions: a trade union and a civic movement. We may debate their mutual relations. It is, however, difficult to defend the

position that a movement which has reached for the mission of forming a government can be satisfied with the formula of a trade union. I think that the construction of a democratic order requires the formation of citizens' committees within a Solidarity civic movement." Michnik emphasized that the movement should operate "in the spirit of the idea of Solidarity and under its banner."

The Association of Journalists of the People's Republic of Poland has issued a declaration that states, among other things: "We find the recently spreading practice of imposing editors in chief without consulting the editorial staffs and the organizations active in the editorial staffs unacceptable. The most recent examples of this practice have occurred at KULTURA, TYGODNIK SOLIDARNOSC, and one occurred earlier at WALKA MŁODYCH. . . . We also express deep concern with the recent events in the personnel policy of the leadership of the Radio and Television Committee. They display a neglect of, and break with, the principles accepted at the roundtable that a journalist cannot bear professional responsibility for his political convictions and views. Some personnel changes at the radio and television and the way they were carried out bear the marks of expulsion from the profession for political reasons, recalling the infamous verifications of journalists in 1982, which were condemned by our community as has been expressed by representatives of our organization on many occasions."

The Association of Polish Journalists expressed concern "with the circumstances in which the change of the editor in chief at TYGODNIK SOLIDARNOSC was made. In making such decisions the subject status of the editorial staffs must be honored, which does not reduce the final right of making personnel decisions by bodies with that power. We express this position aware that in the coming months there will be many personnel changes in the means of social communication." (At a meeting of the Main Board of the Association of Polish Journalists, Stefan Bratkowski asked to be temporarily relieved of the functions of the president due to his health. Maciej Ilowiecki will perform the obligations of president.) [passage omitted]

Representatives of the sugar industry agreed with representatives of Individual Farmers' Solidarity that the price paid farmers for a quintal of sugar beets should be the equivalent of 20 liters of diesel fuel. In conjunction with this decision, Solidarity called on the farmers to end their protest action, which it had previously encouraged. The Ministry of Finance protested against the agreement because it is monopolistic. If the agreed conversion factor is accepted, the costs for the raw materials for a kilogram of sugar will be more than 900 zloty. The price of diesel fuel in agricultural production costs does not amount to 10 percent. [passage omitted]

Who's Who News. The new first secretary of the Walbrzych PZPR Voivodship Committee is Zenon Cyktor (age 48), doctor in political science, secretary of the

Voivodship Committee. His predecessor, Jozef Nowak, asked to be relieved because he desires to take a more active role in the work of the Voivodship People's Council of which he is chairman. [passage omitted]

Died. Edmund Osmanczyk (age 76), writer, journalist, political activist, Sejm deputy from 1952 (with two breaks). After the recent elections, senator from his native Opole region (Citizens' Parliamentary Club). Jadwiga Puciata-Pawlowska (age 86), art historian, educator.

On the Left

The ceremonies marking the 40th anniversary of the GDR coincided with the largest demonstrations in Berlin, Leipzig, Dresden, Potsdam, and Magdeburg since 1953. The demonstrators chanted slogans: "We want to remain," "Gorbi, Gorbi!" and "Now or Never"; they demanded the initiation of political and economic reforms. There were brushes with the forces of order. About 80-100 demonstrators were wounded. Church sources reported that 700 individuals were arrested. The authorities concluded that the disturbances are a result of actions by the Western mass media and local hooligans.

The shape of the new party is a result of compromise between the reformers and conservatives in the MSZMP. That was the majority judgement in the press agencies' opinions, which emphasized that for the first time in Hungary the government had imposed limitations upon itself. Critical voices were heard both from the right and the left. Some of the delegates think that the change in the name still does not guarantee the carrying out of the social democratic program; others think that complete separation from the past was unjustified. [passage omitted]

In Moscow, a demonstration was held opposing discrimination against prosecutors who had handled the investigation of Yegor Ligachev who was accused of corrupt activities. Prosecutors Telman Gdlian and Nikolay Ivanov were removed from working on corruption in Uzbekistan, when they revealed that one of the suspected individuals is a leader of the conservative wing of the CPSU, Ligachev. To be sure, the prosecutors are now deputies to the USSR Supreme Soviet, but the demonstrators judged that the authorities saw them as scapegoats. A special commission cleared J. Ligachev of suspicion of taking bribes. They also demonstrated in defense of Yeltsyn burning copies of PRAVDA (which reprinted an article from the Italian LA REPUBBLICA about excessive drinking by the deputy during his visit to the United States.)

The withdrawal of three divisions ended the first stage of the withdrawal of Soviet forces from Mongolia.

The Estonian parliament suspended the controversial clause in the new election law that provides that in the elections announced for 10 December 1989 only citizens who had lived in the republic more than two years could

vote. It would have deprived thousands of emigrants from other Soviet republics of the right to vote.

The weekly MOSKOVSKIYE NOVOSTI reported that in the mountains of Nagorno-Karabakh and Azerbaijan camps of armed partisans from both sides are being formed raising the possibility of a full-scale confrontation.

Military units sent to Armenia in order to unblock the rail connection with Azerbaijan have been unable to perform their task. A spokesman for the Armenian Ministry of Foreign Affairs announced that the country is being maintained thanks to special shipments from neighboring Georgia. In Erevan even gasoline for ambulances is rationed. [passage omitted]

Soviet parliamentarians rejected a government recommendation calling for a prohibition on strikes for 15 months. Simultaneously, they introduced a revision empowering the government "to take immediate steps" to ensure the operation of the economy. The AFP citing representatives of "Sajudis" reports that deputies representing Lithuania in the USSR Supreme Soviet gave M. Gorbachev a letter calling for a referendum on the future of the republic. The referendum would enable self-determination by the Lithuanian people and permit them to express themselves on the form of union with the USSR. [passage omitted]

Opinions

[Passage omitted]

Hanna Chorazyna, secretary of the emigree Polish Peasant Party and deputy president of the Polish Peasant Party reactivated on 15 August 1989 in Wilanow:

(Interviewed by Slawomir Zalewski, GAZETA WYBORCZA 26 September 1989)

[Question] The Wilanow "union" meeting was held at the invitation of Prelate Boguslaw Bijak, Episcopate pastor for the farmers.

[Chorazyna] Yes. It was a church initiative. The church is not striving to create the foundation for a christian democratic party; it would, however, like to have a party, and it sees the Polish Peasant Party as such a party. A party with support in the rural areas would be more likely to follow church social teachings. It can then be supported by the priests in all dioceses.

Zdzislaw Barwiak, censor in the District Office for the control of Publications and Performances in Opole:

(Interviewed by Zbigniew Gorniak, TRYBUNA OPOLSKA 3 October 1989)

[Barwiak] I do not think that censorship will cease to exist from one day to the next. As the statement by the new government spokeswoman shows, it will be an evolutionary process. The word "evolution" assumes it will last years. Please note how long the human species has evolved, and it has still not succeeded in becoming

fully human. In spite of the great changes in the information provided to society, there will always be areas difficult to imagine being removed from control.

Prof Dr Zbigniew Messner, former premier:

(Interviewed by Marek Goliszewski, KONFRONTACJE September 1989)

Not without significance for the defeat of the Messner government were the numerous attempts to build political and social capital: using demagogic the tactics of telling society that the lack of economic successes was exclusively a result of bad economic policy—ergo, due to the incompetence of the government. Saying that it suffices to wave a magic wand from head to foot and so forth. It was not necessary to wait long for the results of this demagoguery. Today they are visible in every economic indicator. The mistakes also lay in the excessively economic measures of my government, in the underestimation of the processes of, and techniques for, shaping public opinion, of the propaganda factor.

Prof Dr Henryk Samsonowicz, minister of national education:

(Interviewed by Adam Wojciechowski, PRZEGLAD TYGODNIOWY 8 October 1989)

[Question] Perhaps you foresee what political orientations will gain the most supporters?

[Samsonowicz] It will not be the same at all higher institutions. The groups of young Catholics will surely play an important role. Students will also take up the traditions of the National Party to a significant degree. I am also convinced that very many students, many more than it seems to us now, will represent the social-democratic stream and its derivatives. Pacifist attitudes associated with the ecological stream are also appearing. In all, the orientations will be quite varied. We should also not forget about the existing organizations, for example, the Union of Democratic Youth, the peasant youth unions, which can take on varied or uniform forms. The range of political orientations will be very broad both at Warsaw University and at other institutions.

The opinions and views cited in this section do not always agree with those of the editors.

YUGOSLAVIA

Deepening Interethnic Divisions in Kosovo

Casualties of 'Differentiation'

90EB0088A Zagreb DANAS in Serbo-Croatian
17 Oct 89 pp 13-15

[Article by Marinko Culic: "Vllasi et al."]

[Text] In the past several days, an epidemiologist from Belgrade has in vain been inquiring after an Albanian colleague in Pristina whom he has not seen for a long

time. He did not find him where he used to work, and when he was told that he had been disciplined by the party back in 1982 and immediately thereafter "differentiated" from his job, he could not get over the fact that a man with even such an "innocent" occupation could lose his job because of politics. In the 7 years that have passed since that time, the Pristina epidemiologist has changed professions—he now has a goldsmith's shop where all that recalls his previous profession is the sign that says "Ears pierced by a physician."

And with this "Get along the best way you can, comrade," he certainly will be an example for a large number of medical and other specialists, teachers, business executives, and journalists, who have been the most prominent targets of the post-March differentiation which is just now reaching its culmination in Kosovo, reminiscent at times of a virtual decimation of specialized personnel.

One can only guess how many members of the League of Communists [LC] have so far been expelled—and in a large number of cases without not only their party card, but also their working papers—in this "mowing down of personnel," which has noticeably coincided with the autumn party and assembly elections, which are taking place early. The official figures from the Provincial Committee of the Kosovo LC indicate slightly more than 1,000 members expelled and more than 2,600 receiving a warning and last warning, but the estimates of those who are better informed range from 4,000 to even 10,000 members expelled, with every prospect that the "cleaning out" of party ranks will continue at least until the elections are over. Stimulated by assessments from the provincial party leadership that it is making the LC capable of "unified and effective action," the differentiation is becoming literally all that some of the party organizations are involved with, so that the party leadership of Obilic, for example, was to go on its annual vacation with the announcement that "the differentiation would continue in the fall." The differentiation, then, has become a "way of life" being resorted to, in the obvious absence of anything else, as the only reliable way of getting out of the tunnel of the crisis, and by inertia it is being applied even in the regular personnel changes. Thus, the chairman of the Pristina Executive Council was recently dismissed, but not, as was anticipated, because he had been "differentiated" out of politics, but so that he might take a new and higher position (assistant provincial secretary for internal affairs).

The Millstone

By all appearances the bolstering of police personnel should be related to the powerlessness of Kosovo law enforcement agencies to deal with the illegal groups, among which the one from Podujevo, according to some people has managed to escape to Albania. And this, if it proves to be accurate, will only give extra force to the assessments, which have already been made in Serbia, that the Kosovo police "is boycotting its work duties and collaboration with members of law enforcement agencies

from other republics." It is difficult to verify how accurate this is, and the only thing that can be said with confidence is that during the unrest in the province in the winter and spring the "men in blue" from Kosovo did indeed show less determination than others to intervene against their fellow countrymen. According to some, however, the sin they committed then is now being overemphasized in order to facilitate the purge that also will be coming in the Kosovo police. And in order to bring things to a head faster, the story is being revived about the large and dangerous Podujevo group—although no one knows how many of them there were, nor what they were like, nor how dangerous they really were—or, the more recent story about the attempt to kill Tomislav Babovic, an officer in the security service, carried out by Naser Shatri, who is represented to the public as a well-trained killer, which is difficult to square with the fact that he hit Babovic only once although he fired six times from point-blank range.

So, once set in motion, the millstone of the differentiation is difficult to stop with those small grains of doubt, and it can turn even when this does not suit the logic of the "customer" or when the customer is directly opposed. Thus, at a protest meeting in Prizren the other day a demand was issued for the resignation of several officeholders, most of them of Albanian nationality, who, those who are well-informed say, belonged to the camp of the former leadership, but who in the meantime have passed over to the new leadership, but the Prizren "constituency" was obviously not informed of this and demanded a "settlement of accounts" with all leaders in the opstina who have held office since 1981. The assembly was attended by Tomislav Sekulic, secretary of the Presidium of the Kosovo LC Provincial Committee, who resolved this situation, which was unpleasant for him and for the top party leadership of the province, by issuing a commitment that the initiative would be given serious consideration ("the Presidium will take all this into account and render its opinion on this"), but he remarked at the same time that the monoethnic assemblies of Serbs and Montenegrins that have become more frequent in the recent past "are not a good thing."

Sekulic, then, dared to touch that "institution" of the new politics in Kosovo, which up to now has been inviable because the provision is still in effect prohibiting public assembly—and it applies not only to Albanians—but most of these meetings have obtained some kind of institutional coverage (the assembly in Prizren was held in the form of an "assembly of citizens"), which is why this warning obviously sounded too timid to many people. Thus, Sekulic's alleged hesitation was "seen through" that same day at another meeting (in Badovac), and outright criticism was formally addressed to another individual in the Kosovo vanguard. Not, to be sure, because of "holding back the differentiation," but because of procrastination in resettling the inhabitants of this village threatened by the danger of a new crack in the barrier and a pouring down of tailings from the nearby "Kisnice" and "Novo Brdo" mines.

Deep Repentance

But the people in the leadership accused because of the tailings show no intention to reassess their present policy. One high party official who does not want his name mentioned until after the elections told us that the Kosovo party is carrying out the differentiation astutely and not in a mad rush and advised us not to be taken in by stories to the effect that it is "swallowing up people" under pressures from below or above. He mentioned the example of the Appeal of the 215 and said that there are all kinds of speculations about it, but that only 30 of its signers were expelled from the LC and 70 intellectuals were given a warning (he was to reluctantly agree that the number of people differentiated would "perhaps have been greater" if there had been more party members among the signers). That same day, however, the newspaper carried the item of another three men disciplined by the party (last warning), this time from the Provincial Committee of the Kosovo LC itself: Behlul Beqaj, secretary of a commission of the Presidium of the Kosovo Provincial Committee, Mladen Mirosavljevic, former secretary of the Commission of the LC Provincial Committee for Information, who is now a VJESNIK reporter, and Nebi Islami. Mirosavljevic was disciplined by the party because he wanted "at all costs" to publish in KOMUNIST the article entitled "Who Has It in for Azem Vllasi," and Beqaj because he did not concur with the position of the working group on the responsibility of Ibrahim Osmani, former chief of the Center for News and Propaganda Activity of the provincial committee (who is now in custody).

It is paradoxical that Mirosavljevic is being accused of defending Vllasi at a time (August 1988) when the latter still held high party office and long before proceedings were instituted to ascertain his accountability to the party, while Beqaj is accused of defending Ibra Osmani while the latter was in isolation, although in the meantime it has turned out that most of the isolates were erroneously suspected. Even today, there is no evidence of Osmani's guilt, and there will be none before the trial, should there be one. It became evident that it is not a question here of an oversight of the party "investigators," but of the customary practice here in the party "trial" being conducted in a basic organization of the LC of a correspondent from Pristina in which the VECERNJI LIST correspondent Shefki Ukaj was also disciplined with a last warning because of his proposal that Vllasi be nominated for election as a member of the Presidium of the Kosovo LC Provincial Committee, and that again at a time (November 1988) when by no logic whatsoever could this have compromised Ukaj. Even if it were not a case of a type of party "indictment" which has now largely become the Kosovo system, but was an isolated case of just one "defendant" in the party, the question would arise of why anyone should be charged with supporting Vllasi during the summer or fall of last year, when at the same time—in mid-September—Gani Jashari, who at the time was chairman of the Pristina party organization, in speaking to the staff of Pristina Television, rejected charges against Vllasi, referring to

him as a Communist who had proven himself by the clear distinction he made between ethnic affirmation and nationalism.

There is no doubt that this brought the campaign of "great repentance" in the Kosovo LC to a critical point; after all, if Vllasi's "adherents" are to be judged by those who were also at his side and are now protected only by the fact that they hold high office in the party, are the present party prosecutors not thereby writing an indictment which one day could be brought against everyone, and has not the Kosovo LC, in its haste to proclaim Vllasi guilty before the court has its say on that, burdened itself with collective guilt which someone might at a suitable moment merely proclaim "enforceable"?

With those questions in the air, Vllasi's trial is to some extent anticipated as a trial of an entire "disobedient province," although in the opinion of many there has been an appreciable decline of Albanians' identification with him, which culminated last November and this March. In that situation, the Titovo Mitrovica District Court has surrounded itself with an almost mysterious silence, refusing to give newsmen, except for a chosen few, even elementary information about the date of the trial, the number of newsmen who can cover it, and so on....

Milan Bigovic, deputy president of the district court, told us that a special bulletin would be issued about all that, and that nothing could be said before it was issued, but the very next day an article appeared in POLITIKA datelined Titovo Mitrovica to the effect that the prosecutor's office had rejected an objection to the indictment against Vllasi, Abrashi, Kavaja, and 13 other strategic leaders, so that the indictment thereby became enforceable. And since the court must schedule the trial 2 months after the indictment is brought, this will be done in a few days, and the trial is expected in the middle of next month. The trial will be covered by 20 newsmen, 18 from Yugoslav papers and 12 from abroad.

A Backup Trial

It is difficult to say whether one can altogether believe this report, since a few days before that there had been another one, this one from Tanjug, to the effect that the court still had not taken up the defense objection, which, we have been told by Bajram Kelmendi, Abrashi's and Kavaja's defense counsel, is not true, since the objection had been rejected a few days before. The defense had written the objection, they explain, because of the impermissible broadening of the indictment to cover acts not mentioned in the request to initiate the investigation. Thus, Abrashi and Kavaja are now being charged with having planned to set aside the subsidized dining hall in Stari Trg as a separate work unit, supposedly in order to make it better able to feed the miners if there was a strike. Kelmendi says that this assertion is baseless, since a routine check of the mine's documents shows that this decision was made 1.5 years ago and that the reason was the expensive and poor food which had caused poisoning

and even one case of death. Much the same is true, Kelmendi says, of the allegation in the indictment that Abrashi had talked the miners into not receiving Suvar, although all the witnesses in the investigation testified the opposite.

When we add that the indictment has been extended to cover even events in March, when Abrashi and Kavaja were already in custody, all that can be said, Kelmendi says, is that we are dealing with a kind of precedent—a "direct indictment" with no connection at all to the investigation, and what is more, people from the state security service were also involved in the investigation, which is against the law. To be sure, Kelmendi does say that the defense objection to eliminate the security service investigation had been officially sustained—and to that extent the Titovo Mitrovica Court had shown more receptiveness than courts elsewhere in the province, including Pristina, where that kind of investigation is continuing against dozens of people who also have been accused under the "counterrevolutionary article" of the Criminal Code (Article 114)—but he added that the service has continued to involve itself in the investigation "covertly," that it could not, it was true, be used in evidentiary procedure, but it could have a very strong psychological impact on the accused.

During the wait for the Titovo Mitrovica Court to set the date for the trial of Vllasi and others, attention is drawn by the news that a request has been filed in the Prizren District Court for an investigation of Fadil Hoxha for "inciting ethnic, racial, and religious enmity" (Hoxha's famous coffeehouse statement about the difference in sexual behavior between Albanian women and non-Albanian women).

At the moment when the news from Prizren was published, many things concerning the Vllasi trial still seemed unclear, and there was even guessing about a stay of proceedings and a pardon, which allegedly had been initiated in the SFRY Presidency, and in that context the criminal charge against Hoxha was perceived as setting in motion a "backup" trial that would take the place of the "Vllasi case." Now, however, that there is every appearance that no one is willing or able to "halt" the Vllasi trial, the starting up of yet another court trial in Prizren is seen in the "disobedient province" as a changing of gears to speed up the political differentiation. Here, the obvious intention is to anticipate the obstruction by the Albanian majority, which is the explanation now given, for example, why a sizable number of slates have failed in the present elections. But at a moment when interethnic relations in the province have probably reached their lowest point (a few days ago, for example, the paper mill in Lipijane had to be put in the hands of a receiver for this reason), it is difficult to expect anything from this "shifting of gears" except a new wave of homogenization in the province. Even now, the Albanian majority is so "compact" that all differences have practically disappeared with respect to country and city or Muslim and Catholic, and all forces have been transferred to the only "front" which the

Albanians hold today or to which they have been pushed, by the incomprehensibly persistent pacification of which hardly anyone sees the point anymore.

Two Currents

Shklzen Maliki estimates that the policy of the present Kosovo leadership is actively or passively supported by 10 percent of the population of the province at the most, and that the rest of the support is evenly divided between the "republic-separatist" current and the "Vllasi current." There are appreciable differences between the latter two, but they have in common that they build their platforms exclusively on the issue of Kosovo's status. All other issues by means of which the problem of Kosovo might possibly be extricated from the shell of ethnic and posed as a "supraethnic" issue of civil liberties, the law-governed state, the free market, and the like are utterly marginal. To be sure, Maliki believes that the chapter of the UJDI [Association for a Yugoslav Democratic Initiative, which is just now being established in Pristina, will meet with a certain response, primarily among Albanian intellectuals and university students. After all, he says, the idea is making headway with some of them, if slowly, that the venting of passions over the issues of the province's national and political status is tying the hands of the Albanian majority itself over the long run and that it might even be in its interest to have some "more internal" form of the state than the present one, but provided that it is deeply democratized and, this is especially important for Kosovo, that it be freed of the illusions of dogmatic socialism.

But attempts to pull Kosovo out of the situation in which all the outstanding issues are raised and resolved on the wrestling mat of differing national options and interests have collided with the model of law and order in Kosovo, which obviously is incapable of achieving those goals. Today, the bulk of the legal "superstructure" of the southern province is based on three emergency measures of the government and party—the ban on assembly, the requirement to work, and the instruction of the LCY [League of Communists of Yugoslavia] Central Committee concerning the drumhead party differentiation—and they constitute a kind of "real constitution" of this province.

Formally, the purpose of this "constitution" is to halt the wave of interethnic divisions, but its objective effect, regardless of the intentions of the "drafters of the constitution," is to deepen those divisions further, which often means that they become ethnic when objectively they are not. Take, for example, the recent removal in Pec of the director of the brewery, Agim Berisha, a man who in a short time performed "miracles" in that factory, and who was then ordered "from above" to carry out a merger with the local alcohol factory. Since Berisha refused the merger—more precisely, he accepted it only if the brewery was to take over concern for the alcohol factory—the pendulum of differentiation was set in motion by the opstina committee, and Berisha, in spite of full support from the workers' council, had to leave

the director's post. Thus, party measures of the hardest stamp have recycled yet another professional manager in the economy—according to some estimates, nearly 80 percent of them have been removed so far in the province—which will probably be interpreted by the sensitized Kosovo public as the departure of yet another “disloyal Albanian.” Meanwhile, an able production engineer and director has departed as well, and in Kosovo, which is wading in an economic crisis with no end in sight, they have yet to learn that the harm from the latter is just as great as the harm from the former.

LC Official Discusses Harassment

90EB0088B Zagreb DANAS in Serbo-Croatian
17 Oct 89 pp 14-15

[Unattributed interview with Behlul Beqaj, secretary of the Commission of the Kosovo LC Provincial Committee for Ideology and Theory: “Good and Bad Policies”; date and place not given]

[Text] Behlul Beqaj, secretary of the Commission of the Kosovo LC Provincial Committee for Ideology and Theory, disciplined a few days ago with a last warning, takes this last party penalty before expulsion as one he can understand if one takes into account the level of arguments used in this connection.

“They say that in the meeting of the LC basic organization which was determining the ideological-political accountability of Ibrahim Osmani, former chief of our Center for News and Propaganda, I ‘cast doubt’ on the assessment of the working group concerning Osmani’s accountability and caused ‘dissatisfaction, a lack of clarity, and dilemmas’ in members of the LC because of my opinion that I continued to consider Osmani ‘a comrade and friend.’ It is also said that I did not collaborate sufficiently with the former chairman of that commission, but, bypassing him, I collaborated directly with A. Vllasi and V. Zajic, and they also charged me with having ‘gone without permission of the commission chairman to various conferences and seminars all over the country, on one occasion even to Split, where the topic of the seminar had nothing to do with the work and activity of the commission.’ I am also alleged to be guilty for having been ‘oriented more toward collaboration with Marxist centers outside SR Serbia,’ and one internal report says that I displayed my political commitment by my association and friendship with intellectuals who signed the Appeal, with Shklzen Maliqi in particular.

“When I heard what they were charging me with, it became clear to me that the ‘political octopus’ of the differentiation was expected to come down on me as well, as it had on all other critically thinking and independent intellectuals. I realized that I was one of the targets fixed in advance, since I had not, above all because of the way I was brought up, accepted as the truth at the present moment everything that supposedly was politically advantageous. I therefore told my judges in the party that it is obvious that the struggle proclaimed for every individual has turned into a struggle

against every thinking intellectual, and the rest I will say to the bylaws commission, since I feel that a method of judgment was used in pronouncing this measure which has nothing to do with the party bylaws.”

[DANAS] Does this mean that you totally reject the differentiation as a method which allegedly restores in the League of Communists “ideological capability and the ability to act”?

[Beqaj] The solving of present problems in Kosovo must certainly start by determining the responsibility of the former political leaders and holders of power, but only if it ends up with establishing the accountability of those who have power now as well. However, that is not happening. What is more, it is obvious that in many cases the differentiation pursued a covert purpose of increasing the power of the present powers that be. It is thus becoming an instrument for mechanical political unity and one of the additional causes of a deepening of the crisis. Its basic characteristic is quantity, and its main weakness is quality. If you see what this looks like in many communities in Kosovo, you will see intellectuals have mainly been under attack, although in figurative terms they ought rather to be those carrying out the differentiation rather than its target.

[DANAS] In spite of the harsh measures of the top party leadership toward those who signed the “Appeal of the 215,” some people think that the Albanian intelligentsia in Kosovo has abandoned the position of a “silent opposition” which was imposed on it for years. Now, however, the question arises of how to begin to speak, since unanimity out loud need not be any better than silence.

[Beqaj] I am aware of that danger; what is more, I think that the basic problem of the Kosovo intelligentsia is the absence of two-way communication and arguments, which is a problem both sides must confront, including then the Albanian side, since now we mainly have a situation in which no dialogue is being conducted on the basis of arguments, but rather ethnic allegiance becomes the only argument. Still, as for the most recent closing of ranks by Albanian intellectuals, it should be understood that one can hardly expect intellectual arguments from them in a battle in which political arguments are dominant, since they are the only ones that yield results. On that basis, it is perhaps even possible that the intellectuals, aware that the politicians are dominant, since they are banded together, while the intellectuals are marginal, since they operate individually, will come out of the latent opposition, and that would be an occasion for a kind of “historical compromise” on this soil. But we should not forget another trap which lies in wait here either, a trap which is also well-known from past experience in Kosovo, when some of the intellectuals go over to “scientific treason,” allowing their science to look more and more like politics, since they are guided by careerism instead of scientific motives or simply have a nationalistic bias. In that kind of situation, everyone in turn walls himself up within his own ethnic backyard in

which he creates the best picture of himself and the worst of others. And there can be no two-way communication until we Albanians acknowledge that we are not today what we think of ourselves, but neither are we what the homogenized Serbs think about us. And the other way about.

[DANAS] Is there something that should be changed in the mutual relation between Kosovo and Yugoslavia?

[Beqaj] There undoubtedly is. Kosovo is today one of the key elements of the Yugoslav crisis, and we must change certain things in our heads, above all that we can develop merely by waiting for help to come from the advanced parts of the country. But at the same time, Kosovo is just one of the elements of the untenability of the Yugoslav model of development which we can no longer even explain, much less alter with the old ideological vocabulary. That is why I do not like the phrase about "Kosovization of Yugoslavia," since I think that the problem of Yugoslavia in recent years has not been that it resembled Kosovo more and more, but that it resembled itself less and less. The present steps in the direction of pluralization through reform arouse certain hopes, but we must first of all get out of the impossible situation of mutual comparison in terms of "good" and "bad" nationalities. There are instead good and bad policies, and that is the key to the solution both for Kosovo and for the entire country.

Milosevic's Wife Examines Prospects for Reform

90EB0037A Belgrade NIN in Serbo-Croatian
8 Oct 89 pp 24-27

[Article by Prof Dr Mirjana Markovic: "The Reform"]

[Text] For several years now there has been talk of the crisis in Yugoslav society, at scientific and political meetings, in the mass communication media, and in daily life. This talk has been paralleled more or less simultaneously by discussion of the topic of the crisis of socialism in general.

But a new topic, reform, has gained currency of late in scientific, political, and public life.

The credit for this continuity of content is due neither to scientists, politicians, nor journalists. This continuity has been imposed by the circumstances in which both the society in which we live and modern socialism as a whole find themselves.

By this I mean that the problem of its solution must derive from the problem of the crisis.

This solution today is considered to reside in reforms such as economic, political, and social ones. At one time an additional step was taken, and it was perceived with great insight that the crisis can be solved not by a large number of partial solutions but by a single but complete social reform which must include the entirety of society, from the economy to dissemination of information.

Not having fairly serious and systematized facts at our disposal, we here in Yugoslavia for the most part do not know if any socialist country faced with difficulties has undertaken such sweeping social reform. The perestroika in the USSR is the closest to this requirement for sweeping reform of society, but aside from the aspirations for this reform, at least for the time being it does not contain the set of systematized and defined circumstances which would represent the content of reform. Insofar as Yugoslavia is concerned, its crisis really affects all spheres of Yugoslav society and has been going on for more than a decade now, with a tendency toward abrupt decline in the economic power of society, deterioration of political stability, and increase in ideological confusion or confusion of values.

I believe that from the beginning the wrong method was followed in the search for the solution to the Yugoslav crisis and that consequently it has not yet been found. Above all, the solution was sought in individual reforms—economic reform, reform of the economic system, educational reform, etc. And since the crisis has affected all of society, society as a whole must undergo the changes, reforms, rather than individual parts of it, especially when these individual reforms are carried out independently of each other, go on for an exceedingly long time, and often are left to incompetent persons.

Awareness of the need for complete social reform still has not touched, let alone conquered, Yugoslav society. Three reforms are still referred to in current political terminology and practice, reform of the economic system, reform of the political system, and reform of the League of Communists.

This senseless concept, and even more senseless structure, could be refuted by the brighter Belgrade University students, and not just by intellectuals and scientists. After all, there is really no reform of the economic system without reform of the political system, if they are not combined, just as reform of the League of Communists is part of the reform of the political system, in that it involves reform of a political organization.

In some Yugoslav areas, as for example in Serbia, the term "social reform" is heard; it expresses the need for changes in society as thus interpreted, but it is not enough to carry out such a reform, because the success of such a reform depends on action by all of society. The individual parts of society can contribute only to some extent to these changes, no matter how materially and spiritually motivated for changes they may be.

And so, in the attempts to reform individual parts of Yugoslav society partially and autonomously, this society goes deeper and deeper into the crisis, which is such that it no longer threatens merely its development, but even its very existence.

In the real situation in Yugoslavia today, things are such in the economy, politics, and human awareness that it is no longer entirely certain that reform is enough for us as a condition for survival, and especially as a condition for

prosperity. What I mean by this is that we here in Yugoslavia need major changes in all spheres of the life of society which amount to more than reform, changes more radical than those that the reform allows or makes possible.

This is a fundamental, general finding which I think is imposed on Yugoslav society as a course it can scarcely avoid in the immediate future.

However, no matter how much I might insist on the expression and on decision for reform, provided of course that it is a social one, that is, a sweeping reform, this reform must lead to theoretical and ideological clarifications, and then, in accordance with these theoretical and ideological clarifications, must direct its activity toward three crucial questions: (1) ownership relations, (2) the political system (the nature of democracy), and (3) Yugoslavia as the common home of all its citizens.

I believe that everything else has derived from these unclarified crucial theoretical and ideological questions, and, even though only as a concomitant, unquestionably places the heaviest burden on Yugoslav society and blocks the possibility of its escaping from the crisis.

As regards the first question, that is, ownership relations, a covert changing of the subject has taken place. There has been an intensive discussion of ownership in Yugoslav society, especially over the last few months. It has gradually, deliberately, and I would say in organized fashion acquired the character of a discussion of the nature of ownership. The character of ownership, however, is the same as the character of production relationships. Because our production relationship is socialist, that is, one of public ownership, the discussion of possible changes in the character of ownership has in effect amounted to a discussion of possible changes in production relationships. Change in production relationships is, of course, possible, but it will not be decided by discussion and voting on the production relationship in which we want to live, or discussion or voting to determine if we want to live in a socialist or some other kind of society. Yugoslavia did not arrive at socialism by way of discussion, nor will we lose it through discussion. It is not to be inferred from this, of course, that discussions of ownership are pointless or in particular inadmissible in Yugoslav society. On the contrary, they are necessary both for theoretical and for entirely practical reasons. Public ownership as the chief form of ownership has not shown itself to be efficient enough; it has not yielded the results in the material development of society and in the material situation of the individual which private ownership yields at the current level. By the very fact that private ownership appears in its most highly developed form, but public ownership in its primitive, extremely underdeveloped form, it will not be better or even easier for peoples and societies now living under the public ownership production relationship.

Hence it is the theoretical, scientific, political, historical, almost civilizational obligation of all persons who have opted for public ownership of the means of production to try to develop and promote them and to see to it that it will be not only a more equitable form of ownership (as it is now), but also a more efficient form of ownership than the previous one (something it obviously has not been). Not until it achieves this efficiency will public ownership become the superior form of ownership in comparison to the private and state ownership which preceded it.

At this moment, however, in the interest of more rapid material development of Yugoslav society, this society is faced with the rational demand that it also introduce certain other forms of ownership into its economic life and the life of society as a whole. Private ownership, for example. If it is present in such degree that it does not threaten public ownership as the dominant form of ownership, private ownership can contribute in a certain way to the total material development of society. It can absorb only a part of the unemployed population, young people above all; it can commit the substantial funds available to it, but the Yugoslavs temporarily employed abroad may not know how to use them; and it can contribute to greater incentive to work under specific conditions. But on an even larger scale it can contribute by encouraging the public sector to treat incentive as a factor exerting a significant effect on labor productivity.

In any event, room can and should be made for private ownership in the economic life of current Yugoslav society, but only to the extent that public ownership as the dominant form of ownership will not be threatened.

And precisely for this reason must introduction of private ownership into our economic life not be expected to solve its crisis. The entire complexity of the Yugoslav economic crisis, whose production system is based on public ownership, cannot be resolved by producing goods which are manufactured in the area of so-called small business, but rather by producing goods manufacture of which does not occur in the private sector and in doing so not casting doubt on the character of the production relationship, that is, socialism itself. After all, even under capitalism, which is truly the most highly developed, private ownership is necessarily and definitely being transformed into government ownership or certain other forms of controlled ownership. This is taking place under the pressure of development of production forces further escalation of which is removing control from the individual as owner of the means of production.

The forms of ownership can and must be combined, concessions can and must be made to the previous forms of ownership, and we can and must make use of the experience of modern, differently organized societies, think up ideas, and permit ideas which will allow us to speed up economic and thus social development. While doing so, we naturally keep in mind at all times that public ownership remains the fundamental, dominant

form of ownership. Public ownership must have high economic development and social development in general as an essential prerequisite. An underdeveloped society would merely compromise the idea of public ownership, from the economic and all other viewpoints, and establishment of such ownership would be entirely out of the question.

Consequently, a developing European country such as Yugoslavia must also utilize additional capital from abroad. Rejection of this possibility out of prejudice could slow down economic development. In this connection, I believe that investment of foreign capital is advantageous to Yugoslavia, and that, if account is taken of the structure of its application for the activities in which it is invested, it cannot threaten the socialist mode of production in Yugoslavia.

In any event, the percentage of current foreign capital investment in Yugoslavia is so small that even manifold increase in this percentage could not threaten public ownership as the dominant form of ownership.

As regards the political system, changes in it are linked to and depend on changes in production relationships.

Just as it is not possible to stay with socialism and introduce private ownership as the dominant form of ownership, so is it not possible to stay with socialism and introduce a multiparty system. The demands for introduction of a multiparty system in the area of political relationships are the same as the demands for introduction of private ownership as the dominant form of ownership in the area of production relationships. Both kinds express aspirations for restoration of bourgeois society.

In this context I believe that at least science should be clear when it is a question of so-called pluralism, which has been the main political topic in Yugoslavia in recent times. Science should be clear not only because it is more competent than politics, but also because, unlike politics, it does not express anyone's political interest of any kind, only interest in the truth. Or at least it should do so.

Accordingly, pluralism, if it is a question of a way of thinking, and accordingly political thinking, is no ideology whatever, and especially is not new and progressive. Ever since human society was organized into a state there have been different opinions, including different political modes of thought.

The only trouble is that not all opinions have received equal treatment in any society. In class dominated societies progressive ways of thinking have had difficulty making headway because they have questioned the interests of the minority in power, in the person of the ruling class. In classless socialist society especially there are reasons for differences in treatment of different political ways of thinking. And I believe that socialist society should not be ashamed of these differences in treatment of different political opinions, but rather should emphasize them. These differences in treatment of different

opinions result from their content, from the ideas which they represent. Opinions which express the ideas of the majority of society, above all the interests of the working class, are the opinions which are of the greatest social importance and are the most progressive. There should be no room in this hierarchy of political opinions for some opinions in socialist society in general, even in any progressive society. There is no political system which can afford in the name of pluralism to open the door to racist, Nazi, chauvinist ideology. In our Yugoslav society, for example, profascist and chauvinist ideology cannot expect to be promoted within the context of any political pluralism or of any democracy, for the simple reason that these ideologies conflict with democracy, with the interests of the majority which democracy should express.

However, in socialist society the hierarchy of interests is even more important than the hierarchy in political opinions. In the context of pluralism of interests, here as well the interests of the working class have seniority, that is, the interests of the majority, and all forces which might question the superiority of these interests must be treated as exponents of conservative, antidemocratic interests.

Hence political pluralism in our society, and probably in socialist society in general, may be interpreted as political organization of socialist society in which the interests of the working class and political opinions which make possible the realization of these interests are paramount. Within the framework of this political organization of socialist society, the expression of other progressive political opinions whose content can contribute to the material, political, and cultural development of society must be permitted. But all these other progressive opinions must be allowed under the existing political organization of society to make their contribution to the prosperity of society as a whole. I believe that the idea of political pluralism within the framework of Yugoslav socialist society can be interpreted and realized above all in this way, and that the society will be socialist, and, of course, democratic.

This excludes the idea of pluralism of interpretation as a screen for introduction of a multiparty system, not only because a multiparty system would call socialism into question, but also because, in a way, it has also been outgrown even under modern developed capitalism. For a very long time now very highly developed capitalism has been searching for new and more modern forms of political organization for its society, ones which will involve every individual more closely in both social and political life. This is an effort which exceeds the current multiparty system of bourgeois parliamentarism. Modern developed bourgeois societies, under the pressure of the economically and politically strengthened position of the working class and with the support of a large part of their own intelligentsia, are introducing so-called participation, worker control, are allowing strengthening and change in the role of the trade unions, and have long since legalized worker, progressive, and

even communist parties. Despite major obstacles, the many progressive forces of developed capitalism have united their efforts to create societies of the self-managed type such as are reflected in many Yugoslav decisions. It would be absurd for Yugoslav society to be transformed at this moment, as some of its ideologues maintain it should be, into forms of political organization of society in which capitalism was cast long ago and which, as we know, the most highly developed capitalism is now abandoning.

There still remains to be explained in this context the word spoken this summer as a recurrent leitmotiv in every political speech, in newspapers, and on television, in the nontechnical vocabulary of the citizen, and in public and private communications. It is the word "democracy." Yugoslav society, or at least the part of it which molds the political consciousness of the nation, seems to have discovered democracy as an essential property of socialist society over the last 2 years, and this year in particular. Two unexplained matters remain to be cleared up in this connection. The first is that of whether Yugoslav society is only now becoming democratic. If in the past it has not been democratic, then it surely has not been socialist either. If socialism is not a society in which the majority holds economic and political power, then it is not socialist at all. At this moment this must be cleared up in Yugoslavia so that we may move on, even disregarding where we may go (although I think it is not believed that we will go just anywhere).

Another misunderstanding connected with democracy concerns specific definition of its nature. In marxist theory democracy is understood to mean only so-called real democracy, the economic and political power of the working class, the majority of society. To distinguish it from other "democracies" which style themselves such even though they are not, democracy interpreted as marxist is usually qualified as socialist. This word "socialist" is needed to distinguish democracy in which the majority holds power from democracy in which a minority holds economic and political power, regardless of the fact that all citizens have the right to vote or that from the formal viewpoint they are equal before the law.

Our newly created and euphoric definition of democracy lacks justification for it, that is, for the detailed content of this democracy, because we find no country today in the world which considers itself to be undemocratic. Just the opposite. All modern societies, regardless of whether they are socialist, capitalist, or semifeudal, rich or poor, bound more to the past or looking forward to the future, consider themselves to be democratic. Japan and Korea, Canada and Sweden, Morocco and Turkey, and Malaysia, Switzerland, and Czechoslovakia consider themselves democratic. And the leaders of Chile do not think that they are building a nondemocratic state. And it is clear to the man in the street as well as to scientists that the wielders of economic and political power in all these societies are entirely different classes, strata, and groups.

Hence Yugoslav political thought and the political practice based on it must be more precise in defining the

democracy in which the working class is to wield economic and political power, to supplement this classic marxist definition, that it is a question of democracy in which all persons who work and live from their labor are to hold economic and political power.

And a third unresolved question, one contained as essential in the reform impending for Yugoslav society, concerns the possibility of survival of Yugoslavia as the common home of all its present-day citizens.

Serious consideration of this question inevitably imposes the impression that it derives from the first two. The same arsenal holding the argument for introduction of private ownership as a more successful form of ownership (at least in this stage of development of Yugoslav society) and for introduction of a multiparty system as a more democratic and more modern political organization of Yugoslav society (at least in this stage of development of society), also holds arguments for the difficult and virtually impossible existence of a multiethnic collective, especially when it is a question of ethnic groups which in the past have been divided in economic, cultural, political, and religious development. However, the actual facts of modern life, and especially of developed capitalist society, indicate that multiethnic collectives do not necessarily fail because they are multiethnic. On the contrary, some survive and develop even with very great success. The basis for possible disintegration of multiethnic collectives lies more in class conflicts and social unrest than in ethnic intolerance.

Without potentiating the possibility, and accordingly the importance, of possible authentic national conflicts, there remains the undoubted fact that human society, and especially its stage of bourgeois civilization, has been shaken more by class and social conflicts than ethnic ones. The ethnic conflicts, however, have served as the form in which clashing class and social interests have been manifested.

Aside from the extremely malicious ones, there is no reason why this historically and indeed empirically confirmed truth should not also be applied to the world of the socialist countries, in this instance to Yugoslav society, for example.

Earlier I would have said that external and internal retrograde and conservative forces, or to be more precise and coarser, forces altogether negatively disposed toward Yugoslavia, acting in concert, are attempting to cause interethnic intolerance which is to serve as a simple and effective weapon for elimination of the social system and state against which they are directed.

I cannot say that the weapon has not been well selected. It is well suited to the environment, it has been well tested in history, and the hands of those who use it stay clean, at least at first glance or at least at first.

Neither from the scientific, the ideological, nor the personal viewpoints do I at all doubt that in the future, possibly the immediate future, all or at least the majority of inhabitants of Yugoslavia who have been threatened

by the crisis, and whose number is steadily increasing, will unite in the same interest, in common struggle and for the same goal.

The degree of the danger in which they find themselves and toward which they are moving will be a greater integrating factor for transformation of the citizens of Yugoslavia into Yugoslavs than the historical, cultural, and even religious differences expressed in the past have been a disintegrating factor. And the absurdity will be heightened to the utmost, especially the religious differences.

Somewhere, in some dark corner of the public and individual consciousness, there is hidden from the light of day the misconception that expression of the national essence conflicts with successful life in common in the Yugoslav multiethnic community. That is, the misconception that a solid state community necessarily threatens the economic, cultural, and even demographic interests of all, some, or at least one of the several existing ethnic groups.

The definition of public ownership as the dominant form of ownership, along with the possibility of existence of other forms of ownership, the decision for socialist democracy interpreted as the economic and political power of all persons who work and live by their labor, along with the possibility that all other progressive opinions and definitions of Yugoslavia as a home, that is, as a state in which its citizens will live above all as Yugoslavs, may be expressed and contribute to development of socialist society, are new definitions, not old ones.

Both public ownership and socialist democracy are a new form of ownership and a new form of democracy which are encountering an enormous number of obstacles both theoretical and practical in nature precisely because they are new. And Yugoslavia did not exploit its opportunity to constitute itself as a state in which Yugoslavs were to live after the socialist revolution. Even though major steps have been taken in this direction to separate and divide them, I believe that these mistakes can be rectified and that lost time can be made up.

These determinations are indeed radical and require much day-to-day theoretical and entirely practical political work which cannot be completed by one generation. Hence I think that it is a question not merely of reform of Yugoslav society but of a much more radical process. It will move faster in some areas and somewhat slower in others.

Without broadening the topic which we are discussing, however, I cannot escape the impression that the crisis is being manifested in a more or less similar manner in all present-day socialist countries. They all are experiencing difficulties which must be eliminated by very radical moves, but moves forward, not backward.

All socialist countries (except Czechoslovakia) started out with low material development, under conditions of a bourgeois society which had just begun or was entirely

undeveloped and which was devoid of any absence of bourgeois democracy and habits of bourgeois life. Here lies the main reason for the crisis in which the entire socialist world now finds itself. From the historical viewpoint, and from that of civilization in general, an historically new type of society, especially if it had such a difficult and almost extraordinary beginning, when it is faced with difficulties in setting out, will not simply turn back on its own initiative. On the contrary, it is in the nature of every historically new type of society to develop itself, to demonstrate its historic superiority over the previous historical types of society.

Socialism will demonstrate this superiority not only in that it is a just society, with no exploitation between classes and persons, but also in that it is a rich society.

Elimination of the mistaken notion that socialism must necessarily be a poor, and even undemocratic, society is the import of the stage in which the entire modern socialist world is entering. If in the process it must reject some of its previous characteristics as socialist, it will not thereby impoverish itself but become richer.

A society which is materially and culturally rich, in which there is no economic exploitation and political hierarchy, is socialism in its next stage, if this stage is reached.

It is the type of society which is superior to those which today are mobilizing to block its progress. From this perspective it seems to me that it really is not good for socialism to have started out as a "specter haunting Europe." It frightened those whom it should have made happy. A specter cannot mobilize and encourage, even those in whose interests it sows fear.

Those to whom it really was a specter hope that socialism and communism will finally now breathe their last. Others still do not have enough reason to doubt that the fire in which socialism finds itself is not burning in its favor.

Controversy Over Shifting of Titograd-Zagreb TV News Program Discussed

*90EB0071A Zagreb DANAS in Serbo-Croatian
10 Oct 89 pp 35-36*

[Article by Milan Jajcinovic: "Reality to Order"]

[Text] The news program from Titograd TV—on which cheering was heard once again for the "genetic metaphor" which is supposed to threaten the "Slovenian brothers"—was the last so-called Jugo-news program which viewers of Zagreb TV saw on its first channel. In the middle of last week, Zagreb TV notified its subscribers of that decision, noting that this was only an earlier execution of "a decision that had been made in principle even before the summer by the appropriate bodies of Zagreb Radio-TV" [RTZ].

Everyone was up in arms against the delegates of the RTZ Assembly in June who made the decision to propose to JRT the discontinuation of the joint news

program and reduction of the use of Cyrillic. Some because of the "shattering of Yugoslav news space," others because of the belief or attempt to persuade that "Serbs living in Croatia will never again see Cyrillic on the small screen." Veljko Knezevic, general director of RTZ, and Goran Radman, director of television, argued in vain that it was not a question of breaking up unity nor of maliciousness, but simply of a certain self-defense against those who muddy their own water in order to appear more profound. Veljko Knezevic explained the steps taken by the delegates this way: "The Assembly of Zagreb TV proposed discontinuation of the joint news program in the Croato-Serbian language region solely and only because it had ceased to be a joint program and had actually become a framework for perpetuation of unnecessary quarrels and for the presentation and popularization of certain very narrow views, sometimes very subjective, and sometimes expressed in an extremely unprofessional manner."

The tectonic disruptions in the Yugoslav part of the Balkans shook everything, including the monolithism of the media. At one time, there had been one "truth" that could not be refuted in public. That truth was defined by the "ministries of truth," issuing assurances that their "method was invisible to ordinary human eyes." That (self)deception persisted so long as Yugoslavia was of a piece, so long as it was unitary. When the unitaristic cement began to let go, cracks appeared, and republic truths began to spring up instead of the single official truth. The truth imposed by the state (which certainly was only an unclear reflection of what that name implies) was replaced by truths that sprang up in the republics (usually on the stunted side). Every one of those republic truths lived calmly in its own limited state until claims were made to occupy the vacated throne of what once had been the only official Yugo-truth. That is when the struggle began. It was started by the followers of the so-called antibureaucratic revolution, since with its accumulated energy it had to expand, at least in that way. The other truths felt threatened and stood against that striving for superiority. The TV news program also found itself in the midst of that uproar. That is no doubt why Goran Radman said even during the first trouble over the Yugo-news program:

No One's Spokesman

"The audience of TV Zagreb sees the TV news program as something which at this point is doing more to divide Yugoslavia than it is contributing to a spirit of community. We agree in large part with that assessment. In seeking an answer to the question of why this is the case, we realize that it is not so much a question of a desire to squabble with one another, but that this is the product of the social, economic, and political situation in the country, and we have simply been drawn into the circle of mutual accusations, which is not good. Nor is TV Zagreb itself innocent in this entire tale. The topics are such that we have been drawn into the same logic of reflection, and we are no longer doing daily news programs, but political TV magazines, aware that that

magazine is going out to the entire territory of Yugoslavia and that this occasion should be used to say something. We have thus been doing a "republic" program, which also is not good. There is no reason whatsoever, and I do not want to be in a position, for TV Zagreb to be the spokesman of the views of the Socialist Republic of Croatia in Yugoslav space." It is not difficult to agree in principle with Goran Radman that TV Zagreb and the other television studios should not be the spokesmen of their republics. But realistically every television studio is perceived as the spokesman of its own republic. What is more, if it were different, there would have been no disagreement and breakup over the joint news program. And frequently it was indeed irritating. Arrogance and inappropriateness occurred especially in comments of how the "northerners" see the "southerners," or how the "southerners" maintain that the northerners see them. In order to avoid those constant squabbles, TV Zagreb proposed back last summer that the increasingly belligerent journal be replaced by a weekly political program of the magazine type in which the most distinguished television reporters would take part and which would concern itself each week with the most urgent topics and would be able to broadcast live. But that proposal was not taken up. Now, TV Zagreb has decided not to extend its hospitality to the joint TV news program on its first program (it will be transferred to the second, and Zagreb Television will continue to take part in its production). We spoke with the chief editor of the news and political program of TV Zagreb, Ines Saskor, about why this happened and what the immediate pretext was for this decision.

The TV Zagreb editor recalls that this intention existed even earlier. The last news program from the Titograd studio only hastened that decision. Editorial principles had been violated even before, and recently there had been another breach. Earlier, Ines Saskor said, TV Belgrade had itself commented as it pleased on the responses in Slovenia and Croatia to the Gazi Mestan celebration, although the principle in such matters had been for this to be done by a newsman from one of those communities. Later, there were "accidents" when Stipe Suvar's speech in the Sinjska Alka ceremonies was cut off. Now, TV Titograd has again violated the editorial principle that was agreed on—in that it engaged the correspondent of TV Belgrade to do the piece on Slovenia following the amendments, thereby inserting "threatening comments."

That was the immediate pretext for Zagreb's adios. But even before the Titograd showdown with Slovenia and the attempt to defend the chairman of the Montenegrin party there had been various other TV games. Recently, Ante Markovic, chairman of the FEC, expressed objections to the report on his meeting in Istria with Giulio Andreotti, the Italian prime minister. Markovic criticized TV Novi Sad—which broadcast the news program that week—for downgrading the news to the "fifth slot" and for saying nothing about the visit to Buje; now its collegium for programming is washing its hands of the whole thing and passing the buck to TV Zagreb.

Who Is Lying

So, according to Ines Saskor, the news program from TV Titograd only speeded up the decision of the RTZ Assembly to present its own news program on the first channel even on Sunday. The chief editor of the news and political program of Zagreb Television mentioned not only the matters of principle and professional reasons for this decision, but also "the hundreds of calls from resentful viewers," whose protests after the Titograd news program could be summed up in one sentence: "We will not stand for terrorism of the media in our own house!" Ines Saskor says that RTZ has even been receiving petitions of citizens who have even sent them to the SFRY State Presidency unanimously rejecting the style and methods of certain TV studios. The TV Zagreb editor does not believe that the most recent decision of her studio is an additional act of destruction of what they refer to as Yugoslav news space, since TV Zagreb is not discontinuing the joint news program (nor is it ceasing to take part in its production), but is only transferring it to the second channel—"So it is there for anyone who wants to watch it."

Regardless of the facts, it is quite certain that there will be a great many program critics who will be infuriated at what they consider to be still another case of disappearing behind one's own republic gate. Such criticism comes most frequently from those who have a guilty conscience about withholding facts from their own public. Still more malicious, they almost always comment on facts which they have never presented to the public. This kind of brainwashing of the audience goes on every day. The reporters are today the most zealous "engineers of people's minds." They assault one another like yellow ants. They make charges, and they quarrel. No holds are barred in the accusations. One of the most serious charges was made against TV Zagreb. It was said at one time that a picture taken by its cameraman of the celebration in Knin had been used as the main piece of evidence to support the charges against Jovan Opacic and the others who took part in that assembly. Here is what the RTZ editor has to say about that:

"Those are monstrous accusations. I can only say that JRT did not accept our reports from the celebration in Knin. Our report lasted 18 minutes, 15 were devoted to the ceremonies themselves, and 3 minutes to the outbursts, which approximately corresponded to what happened. Immediately after that we were accused in one Serbian forum of 'planting bearded groups to serve the purposes of Zagreb and Ljubljana television.' VECERNJE NOVOSTI accused us of paying a band of Gypsies to sing in front of our cameras at Gazi Mestan. Ridiculous! Why should we take pictures of three Gypsies singing 'Whoever Says That Is Lying' when thousands were singing it right there at Gazi Mestan. But that is how campaigns are mounted and charges are fabricated."

Brotherhood Imposed by Force

Authentic media terrorism has existed in Yugoslavia for several years now. At this point, there are so many

journalistic commandos that it is really frightening. Some operate on the basis of conviction, others for profit, and still others out of stupidity. When it is all reinforced (as it often is) with fanaticism, then there are even more grounds for fear. No conversation of any sort is possible here, since every opinion can be disputed "except the opinion of a fanatic moron." And since that is the case, his opinion attains its goal; by terrorizing other opinions, in time his lie begins to be represented as the truth. Which is why the shield bearers of the political bosses and their policy do not even care about the facts. The most important thing for them is that their opinion become the strongest and in time smother all the others. The comparison is truly abhorrent, but it is not inappropriate. That is, the behavior of a great number of Yugo-journalists has increasingly resembled the behavior of brown rats confined to a limited space.

Experiments have shown: if a dozen rats are confined to a certain space, the male and female which first couple will terrorize the rest of the pack until they eradicate them. When that is done, they start reproducing. The analogy is obvious: when one opinion drives all the others away, it can reproduce its own "truths" without hindrance.

What has been happening to the weekly TV news program is not at all different from what has been happening to the newspapers or radio. Yugoslav news space as a whole has disintegrated. It has experienced the same thing that Yugoslavia has experienced. Yugoslavia's splitting along unitary seams was logical—since the strain created by differences that were not acknowledged had to result in cracks. Even when the differences could no longer be concealed, they were reluctantly acknowledged. So, one not particularly careful unity has broken up into a number of negligible particularities, mostly ethnic. Now, there are only two possibilities, only one of which is the right one, i.e., full respect for all political, economic, and cultural specificities and a new method of shaping the community spirit of Yugoslavia, or going back once again to the tried and true model—suppressing the differences and becoming "brothers" again, if only by force. But how the remnants of that kind of community function has been demonstrated most vividly by television itself in its coverage of the meetings of the highest bodies of government. The TV news program is only a small part of that "reality to order," in which this country has been living for 4 decades now. Over that entire time its only dilemma—which has not been resolved even today—was whether to acknowledge the differences or not. Of course, the joint television news program is not a problem peculiar to this country. But it is a characteristic problem!

Zagreb Weekly Comments on Alleged Call for Serbian State

90EB0071B Zagreb DANAS in Serbo-Croatian
10 Oct 89 p 21

[Article by Jasna Babic: "A New Serbian State"]

[Text] [Excerpt from emigre publication SRPSKA BORBA] We have been asked to publish a PROPOSAL

FOR CREATION OF A SERBIAN DISTRICT in the areas of Northern Dalmatia, Lika, Kordun, Banija, Slavonia, and Baranja.

Somewhere in Lika, July 1989:

**BRIEF ELABORATION OF THE PROPOSAL OF A
DECISION TO FORM A NEW YUGOSLAV
FEDERAL UNIT TO BE KNOWN AS THE
SERBIAN DISTRICT**

Remark: This decision was to be deliberated and possibly adopted on 9 July 1989 in a large popular assembly commemorating the 600th anniversary of the Battle of Kosovo....[end excerpt]

If one is to believe the emigre SRPSKA BORBA, which is distributed in Europe and North America, the so far illegal Initiating Committee of Serbs of Northern Dalmatia, Lika, Kordun, Banija, Slavonia, and Baranja (established "somewhere in Lika, July 1989") almost recorded yet another historical event at the Knin celebration of the Battle of Kosovo: the proclamation of a new federal unit that would bear the name—Serbian District. The new Yugoslav state—the anonymous authors of this geopolitical map of Croatia and Yugoslavia wrote in the emigre periodical—would be organized "just like the others," or, on the other hand, under a federal administration for a "transitional period" of 4 years. However, the act of the separation of the Serbs in Croatia as a state was frustrated by the interruption of the program at the Lazarica church when the power and sound were turned off. So, instead of a public expression by the people gathered for the celebration in Knin, the Initiating Committee resorted to a subsequent, "secret" and "targeted," testing of Serbs in Croatia, working up an enviable sample of 2,102 people. About 90 percent of those polled—SRPSKA BORBA writes—accepted the idea of separation of the Serbian districts as states, only 3 percent were against, and 7 percent did not wish to take a position. Immediate merger of Northern Dalmatia, Lika, Kordun, Banija, Slavonia, and Baranja to the parent Serbian state was demanded by 201 respondents.

The principal arguments which the pollsters offered to the respondents were these: "The fact that in this century, in particular during World War II, genocide was practiced against the Serbs of these districts by Croatian Ustashi and Domobrans" and "a federal solution is proposed as a safeguard against the dangerous possibilities implied by a Serbian liberation movement that has been provoked and that represents a departure in the direction of democracy and civilization from the limits of the model of the state and law imposed on us and based on absolutization of ethnic cultural and historical specificities (in order to break up the Serbian people as much as possible) and which is contrary to all modern principles of social organization."

Croats Without a Language

The proponents of Croatian of the Serbian District also had in mind "that the language spoken by Serbs and

Croats is actually the Serbian language," which was stolen and internationalized in the process of "Catholicizing the Serbs," and then the statistical "falsification" of the ethnic composition of Croatia. All in all, the second argument runs, "the Serbs in Croatia are much more numerous than represented today. Some 70 percent of the Serbian population of the Orthodox faith live in the area of the future federal unit, although some are concealed by the category 'Yugoslavs,' and another portion, because of the violent conversion to Catholicism, feel themselves to belong to the Croatian nationality. The remainder, however, are Croaticized Czechs and Slovaks, and the remainder of all the remnants are the true Croats, that nationality which speaks the cakav and stokav dialects.

"No attention should be paid to the tales of Croatian megalomaniacs about Dalmatia as the old homeland of Croatism, since if we follow that logic we can lay claim to the territories of certain Balkan and even central European states, and, if we accept the mythical Indo-European term SORABI, claims would extend even to territories outside Europe," SRPSKA BORBA writes.

But the Initiating Committee of Serbs of Northern Dalmatia, Lika, Kordun, Banija, Slavonia, and Baranja also took up certain other Serbian issues: How to explain to the international public, whose consciousness "has largely been formed on the basis of the deception systematically disseminated by Tito's official policy" that the solution of a Serbian autonomy within Bosnia-Herzegovina is the best solution for the space between the Cetina River and Boka Kotor. After all: "that public is not very aware that the Cetina River was mentioned in ancient times as the boundary between the Serbs and Croats on the coast, it does not know that that part of the coast and that part in the south all the way to the vicinity of Gacko was called the Serbian Coast, it does not know that the Serbian border on the north was moved after the 1102 Pacta Conventa, when the process of assimilation of Croats was speeded up, still more after the defeat at Kosovo in 1389, when the Serbian refugees flooded both the coast and the region north of the Cetina and the Una." In this mixture of the historical state-territorial-ethnic rights of the Serbs and in this explicit denial of the historical state-territorial-ethnic rights of the Croats as being out of fashion and unworthy of the present time, SRPSKA BORBA certainly had to deal with the unavoidable Muslims as well: "Serbs of the Muslim faith." It is true that the discussion of Muslim-Serb relations lacks any up-to-date sources of data, tests, or surveys, but the anonymous members of the Initiating Committee know for sure that those are only "empty dreams and expectations that the Muslim category of Serbs will once again be taken in by the deceptions which gradually or systematically cast them into the ideological and political groove that led them to their Croaticization in the face of the opposition of their Serbian roots and Serbian brothers of Orthodox faith.... It should be emphasized to the Serbian Muslims that both their anti-Serb performance during the war and their fear of

Serbism today have been a revenge and have continued to serve this perfidious strategy. They already know that the main result of this anti-Serb game is that they are cast into the dangerous crevice between European civilization and Islamic fundamentalism, and that this leads inevitably to tragedy. This is something of which the genial Serb of Muslim faith Mesa Selimovic was well aware."

Imaginary Croats

As for the Croats in Bosnia-Herzegovina, they were simply invented by the Cvetkovic-Macek agreement, which the Serbian politician concluded only in order to "distract the northern brothers from treason during the war." "The competent Croatian politician" Antun Radic, that is, said 100 years ago that a Croatian name was altogether unknown in the villages of Bosnia-Herzegovina, and that this republic was basically Serbia. So: "We appeal not to avengers, but to fighters for the truth and for justice, freedom, and democracy, to peaceful warriors. Inform the country and the international public that although we were decimated in the war, we are once again guilty just because we are alive, that once again they are dividing us and harassing us, that they are banning our language and our name, that they are making the world afraid of us.... Long live the federal unit of the Serbian District! Down with the Yugoslavia of the Frankist-Comintern homeless tramps! Long live democratic Yugoslavia as a community of free and equal citizens!" the Initiating Committee concludes

in SRPSKA BORBA, unaware, it seems, of the consequences of its own program. If the Croats have no right in Dalmatia on the basis of historical Croatism, then the Serbs have no right to Kosovo either, that medieval "heart of the Serbian state." If the Croatian or Serbian language is actually the language of the Serbs, who "assimilated" whom? Isn't the taking up of someone else's language standard the greatest sign of having lost one's own nationality? Finally, how today is one to force the "Catholicized" and "Croatized" "Serbian people," which in actuality is unaware of its "Serbian roots," to declare itself to be a member of the Serbian nation? How is one to "re-Serbify" the Muslims?

Or is the Initiating Committee of Serbs of Northern Dalmatia, Lika, Kordun, Banija, Slavonia, and Baranja deceiving itself with its own appeal for "free and equal citizens"? Following the trail of certain of our meetings and of everything said at them, one is amazed at the actual illegal status of this "government" of the new Serbian state in the process of formation. That is, its programmatic goals reiterate the positions taken in the Memorandum of the Serbian Academy of Sciences, which, although "nonexistent," has been operating publicly and legally for a long time now: at Francuska 7, in interviews of Dobrica Cosic, Milan Komnenic, and Vuk Draskovic...without the highest political leadership of the republic in which all this is happening having said a single word as yet to distance itself from geopolitical plans like this.

POLAND

Statistical Report Covers Defense Force Manpower, Budget, Pay Issues

90EP0083A Warsaw RZECZPOSPOLITA
(STATYSTYKA POLSKI supplement) in Polish
No 3, 21 Sep 89 p 4

[Report by Ministry of National Defense to the Central Office of Statistics: "Selected Data on the Defense Forces of the Polish Peoples Republic"]

[Text] The Central Office of Statistics received a compilation of selected statistical data on Poland's armed forces from the Ministry of National Defense. We publish the data for the first time, shortly after receiving them, aware of the great interest in society in all information concerning the military.

In the future, information on the armed forces will be published in the basic publications of the Central Office of Statistics, especially in the ROCZNIK STATYSTYCZNY. Now due to the fact that the ROCZNIK STATYSTYCZNY 1989 is already in the final stages of printing and adding the data presented below is impossible, we are publishing them in this manner.

The information relates to the following group of questions: 1) the number of professional soldiers and civilian employees in the employ of the military and the number of soldiers performing basic military service, 2) wages for professional soldiers and civilian employees of the military, 3) the military budget, 4) the military health service, 5) retail trade and services.

Personnel

In 1988, there were 234,344 men performing basic military service.

There were 112,656 professional soldiers and 116,034 civilian employees in the Polish military.

The education and ages of the professional soldiers and civilian employees of the military were as follows:

Professional Soldiers		
Level of Education	Number	Percentage
Total	112,656	100.0
Higher with an academic degree and academic title	2,313	2.0
Higher	45,535	40.4
Secondary	335,464	32.4
Basic Vocational	28,344	25.2

Professional Soldiers		
Age Group	Number	Percentage
30 or less	29,387	26.1

Professional Soldiers (Continued)		
31-35	23,416	20.8
36-40	23,325	20.7
41-45	16,736	14.8
46-50	9,110	8.1
51-55	5,379	4.8
56-60	4,324	3.8
61 and above	979	0.9

Civilian Employees		
Level of Education	Number	Percentage
Total	116,034	100.0
Higher with an academic degree and academic title	417	0.4
Higher	5,582	4.8
Post-Secondary Study	6,948	6.0
Secondary	39,455	34.0
Basic Vocational	26,599	22.9
Elementary	34,099	29.4
Incomplete Elementary	2,934	2.5

Civilian Employees		
Age Group	Number	Percentage
19-25	13,202	11.4
26-35	33,312	28.7
36-45	31,771	27.4
46-55	23,537	20.3
56-60	9,060	7.8
61-65	3,858	3.3
66 and Over	1,294	1.1

Wages

In 1988, the average monthly wages were 68,199 zloty for all professional soldiers and 44,075 zloty for all civilian employees of the military.

Professional soldiers employed in basic positions in the land forces received the following monthly wages (average data):

- 1. Commander of a military district, general division, 135,919 zloty
- 2. Commander of a division, general brigade, 116,058 zloty
- 3. Commander of a brigade, colonel, 106,073 zloty
- 4. Commander of a regiment, lieutenant colonel, 97,750 zloty
- 5. Deputy commander of a regiment, major, 85,282 zloty
- 6. Commander of a battalion, captain, 73,609 zloty
- 7. Commander of a company, lieutenant, 66,702 zloty

- 8. Commander of a platoon, sub-lieutenant, 58,614 zloty
- 9. Head of a company, a senior noncommissioned officer, 60,844 zloty
- 10. Technician, junior noncommissioned officer, 52,141 zloty
- 11. Commander of a squad, sergeant, 50,760 zloty
- 12. Lowest position, a platoon commander, 46,219 zloty.

For comparison, in 1988, the average monthly wage of employees for the entire budget sphere of the nation was 42,905 zloty; however, the average monthly wage for the entire socialized economy was 53,090 zloty.

Military Budget (Budget Expenditures of the Ministry of National Defense)

Military Budget (Budget Expenditures of the Ministry of National Defense)	
Category	Millions of Zloty
Total	767,477
Current Expenditures	742,177
Wages and derivative expenditures (Social Security)	163,031
Expenditures for materials goods	546,986
Other expenditures	32,160
Investment	25,300

The budget expenditures of the Ministry of National Defense as a percentage of the national income distributed was 3.2 percent (current prices), and as a percentage of the expenditures of the state budget, 7.7 percent.

In per capita terms, the budget expenditures of the Ministry of National Defense for 1988 reached a level above 20,000 zloty.

Health Services

In 1988, the military health services had 30 general hospitals with 8,349 beds and five health resort hospitals with 1,286 beds.

During the period, the general hospitals of the Ministry of National Defense received 138,785 military and civilian patients, and the health resort hospitals, 19,538 patients. These patients were given more than 1 million treatments.

There patients were served by 18,089 medical personnel, including 11,142 in the general hospitals and 556 in the resort hospitals.

Detailed data on the number of medical personnel employed in the military health service are as follows (as of 30 November 1988):

Health Services

Category	Total	In general hospitals	In health-resort hospitals
In all ^a	18,089	11,142	556
Higher personnel	5,284	2,873	87
including medical doctors	3,820	2,112	61
interns	146	146	0
dentists	678	161	5
pharmacists	352	231	9
other personnel ^b	288	223	12
Middle personnel	8,305	5,643	245
surgeon's assistants	5	3	0
nurses with diplomas	5,162	3,816	129
nursing assistants and dental assistants	395	99	8
midwives	237	216	0
medical technicians	1,683	1,223	72
others ^c	823	286	36
Assisting medical personnel	4,500	2,626	224

^aCivilian and military personnel.

^bPsychologists, biologists, graduates in nursing at the Medical Academy, graduates of the Physical Education Academy, and others providing direct services to patients or doing clinical diagnosis.

^cNoncommissioned health specialists, masseurs, kinesotherapy instructors, dieticians and others.

Among the 3,820 medical doctors employed, there were 3,378 specialists (88.4 percent), including 2,117 with the second degree of specialization (55.4 percent).

The data on the number of specialists by field of specialization are shown by the following data (as of 30 November 1988):

Doctors by Specialization

Category	Total	With 2nd Degree of Specialization
Total ^a	3,378	2,117
General surgeons ^b	412	236
Orthopedics and traumatology	179	116
Obstetrics and gynecology	222	140
Otolaryngology ^c	518	10,347
Ophthalmology	160	97
Internal medicine ^d	669	398
Dermatology and venerology	119	79
Neurology ^e	158	92
Psychiatry	61	48
Pediatrics	246	115
Lung diseases	39	29

Doctors by Specialization (Continued)		
Category	Total	With 2nd Degree of Specialization
Radiology	93	72
^a Military and civilian personnel.		
^b General surgery, trauma, children's, chest, heart, neurosurgery, plastic surgery, gnathosurgery.		
^c Including specialists in childhood diseases.		
^d Internal diseases and general medicine.		
^e Radiodiagnostics, children's radiology and radiotherapy.		

As has already been mentioned, the general hospitals of the Ministry of National Defense had more than 8,000 beds in 1988 and received about 140,000 patients in 1988. Thus, there were about 17 patients for each hospital bed. For comparison, the average for the general hospitals of the civilian health service was 22 patients.

The number of hospital beds and the number patients for particular sections of the general hospitals of the Ministry of National Defense is as follows (as of 31 December 1988):

Hospital Beds		
Category	Beds ^a	Patients
Total	8,349	138,785
Surgery ^b	2,100	34,502
Obstetrics-Gynecology	643	15,318
Otolaryngology	518	10,347
Ophthalmology	382	5,376
Intensive care ^c	193	5,352

Hospital Beds (Continued)		
Category	Beds ^a	Patients
Internal medicine ^d	2,028	33,521
Neurology	478	6,890
Psychiatry ^e	339	3,435
Pediatrics ^f	284	5,079
Quarantine	237	3,144
Tuberculosis	157	1,338
Skin-venereology	438	5,758
^a In use.		
^b General surgery, trauma, orthopedic (including children's), burn and plastic.		
^c Reanimation, intensive medical care, intensive cardiology supervision.		
^d Internal, long-term illness and convalescents.		
^e Psychiatric and neuropsychiatric.		
^f Nursery, general and child pediatrics, observation and quarantine.		

Blood Donation. The 76,626 honorary blood donors from the military gave more than 32,000 liters of blood at the 17 blood-donation locations of the Ministry of National Defense and at the Transfusion and Transplantation Department of the Military Medical Academy in 1988. The military blood donors also gave blood at facilities of the civilian health services. The amount of blood taken from soldiers according to data from the Institute of Hematology was 75,000 to 80,000 liters in 1985-88 or 15-16 percent of the blood donated in Poland.

Retail Trade and Services

In 1988, there were 1,010 retail facilities (stores and kiosks) with a total storage area of more than 25,000 m² and 708 service points and facilities in the retail and service network of the Ministry of National Defense throughout Poland.

CZECHOSLOVAKIA

JZD AK Slusovice To Sell Shares Says Manager

90EC0116A East Berlin WOCHENPOST in German
27 Oct 89 p 12

[Text] The new center of Slusovice is different from the usual picture of Moravian villages with their old farm buildings in narrow streets and the market squares where inns invite one for beer and dumplings. A wide, treeless asphalt road, lined by low buildings with stores, offices, snackbars, the post office, and other services, runs through the new Slusovice. It looks like a modern scene in a western movie. And indeed, the scenery is dominated by a saloon-type building, the striking architectural element of which is a huge glassed-in can. Of course, the can is not supposed to represent a can of Coca-Cola, but a barrel of good Bohemian beer, and it indicates the location of a restaurant. It is also the entrance to the hippodrome.

But regardless of what the builder planned to do, the giant horizontally-placed can in the flat wide open asphalted area amidst low rectangular boxlike buildings with store signs and advertising posters looks like a boom town—a prosperous city.

This is where the minds of CSSR economic theory and practice are parting. At one time, the southern Moravian farm village was quite a normal agricultural producer cooperative (LPG). The inhabitants plowed, sowed, and harvested their fields with the help of tractors and other agricultural machinery. Good cattle were raised in the stables. Nonetheless, a new development began in 1963, although at the time, the LPG members were not aware of it. That year a young man from Slusovice returned from military service to his native village. The man, Frantisek Cuba, a university trained agricultural engineer with much imagination and initiative, was appointed chairman of the LPG. At that time, the very large and the largest agricultural enterprises were considered particularly good forms of socialist agriculture.

Over time, the Slusovice LPG merged with 19 other LPG's. Eventually, the merger covered about one-quarter of the Gottwaldov rural kreis east of the town, bearing the same name. But soon it became clear that a large territory is not a sure bet for economic success. Enormous investments were required to turn the huge conglomerate into a modern agricultural enterprise. But where was the money for these investments supposed to come from? In the 1970's, it was the economic policy of the CSSR to stimulate so-called secondary production lines in the LPG's. They were supposed to earn the necessary investment capital without too many state credits and subsidies.

Soon, this idea proved to be a real prescription for success. There are now hardly any LPG's in the CSSR that are not involved in some sort of secondary production. As early as 1988, engineer Ceresna, chief of planning in the CSSR Ministry of Agriculture, noted in a

conversation with the WOCHENPOST that some 20 percent of the country's LPG's activities involved secondary production, earning about 60 percent of total profits.

The large variety of such products includes, among other things, the processing of leather, the production of leather gloves, the production of specialty foods, agricultural machinery and machinery parts, the manufacture of agrochemicals and even the support of construction enterprises in the cities. Engineer Ceresna specifically mentioned Slusovice. Here, development had reached its peak. Of the billions of korunas worth of sales the LPG had made—over 5 billion korunas in 1988—only 6 percent came from farming while 94 percent was from secondary production.

Since, in Slusovice, the primary and secondary production lines had reversed their position, the term LPG was no longer considered appropriate and the name "agro-combine" was added. The production of the agro-combine not only includes dairy farms, ketchup production, as well as juice and canning factories, but also the processing of plastic waste, the production of plastic wrapping materials for food products, the construction of farm machinery and—of computers. In fact, the agro-combine Slusovice has become one of the largest computer manufacturers in the CSSR. The low-slung modern manufacturing plant built for that purpose could very well be located in California's Silicon Valley. Engineers and technicians, on soft-soled shoes, are moving in the corridors and work areas with hardly a sound. In the testing station, there are rows of video terminals, with their screens showing flickering test pictures, in color. The LPG decided to develop its own computers when, in 1982, it set out to modernize its accounting system and when a supply embargo by Western firms made it impossible to import suitable computers.

The combine is also working on biotechnologies, gene transfer, and the manufacture of veterinary medical preparations. It builds and runs hotels, tourist service areas, and restaurants that are among the best in the CSSR. Slusovice's entrepreneurial spirit is not afraid of taking risks. In the spring of 1989, the Ekotrans Moravia was established as part of the agro-combine. It is planned to build canals between the Danube, Oder, and Elbe Rivers. Are all these really legitimate LPG activities? Is this the direction in which CSSR agriculture is expected to go? The Ministry of Agriculture says no, but would have no objection if more LPG's pursued new, unconventional ways.

But what created this Slusovice phenomenon? The answer at the agro-combine is, "We have an excellent manager, who is has good entrepreneurial ideas, and we can finance them. Yes, we must invest and we cannot consume our profits because our wages are set by state standards." Economic experts in other enterprises talk about the special conditions Slusovice has secured for itself, thanks to its manager's "good connections."

Recently, at the anniversary of the LPD, Frantisek Cuba, the much acclaimed manager of the agro-combine, delivered a lecture on his views of the LPG system. Since then his comments have aroused much interest among the socialist economic theoreticians of the country. For instance, Cuba said, "In the 145 years of its history, the world cooperative organization has been very successful. However, on examining the success of the cooperative movement from the entrepreneurial point of view, we have found that until now, cooperative enterprises have not been able to overtake the operational level of some other types of business. Among the 100 largest enterprises in the world, there is not a single cooperative. Among the 100 most successful enterprises in the world, there is not a single cooperative. Among high-tech firms, there is no cooperative enterprise."

The manager continued by comparing in detail the advantages and disadvantages of all cooperatives and all other known types of business—one could also say ownership forms of the means of production. And his conclusion was that the corporation is the most successful enterprise form. Then he began with determination to organize his LPG as a corporation. One share in the Slusovice LPG costs 1,000 korunas, and each member of the cooperative may purchase a maximum of 100 shares. Later on, the upper limit will be raised to 500 shares. The issuing of shares must not disturb the cooperative character of the LPD, but is designed to pull the free funds of its members into investments. The annual dividend may range from zero to 18.5 percent of the share price, depending on the commercial success of the LPG. Its rate is determined by the board of directors.

He vehemently rejects the claim that corporations are unsocialist. The only reason why, so far, socialism has stayed away from the corporate type of organization is that it has been discredited as being typically capitalist. Cuba explains the fact that the agro-combine has spread beyond agriculture as a transition from a restricted to an open agricultural enterprise. The next step would be to go into international operations.

This and some other things in the management system of the agro-combine indicate that a "genius loci" may be at work here. Slusovice is almost within sight of Gottwaldov. At one time, the town was called Zlin; it is the creation of one of the most successful Czech industrialists of the 1920's, namely, Jan Bata, head of the shoe conglomerate bearing the same name. The Bauhaus-influenced clinker architecture of industrial buildings of that period continues to characterize the face of the city. Maximum economy—neither tolerating any superfluous hand nor wasting a single curona, yet taking care of each plant employee from the cradle to the grave—was characteristic for the factory. Certain useful elements of a similar management philosophy are also in evidence in Slusovice.

The agro-combine people see themselves as pioneers of a new type of agricultural organization. Practically all townspeople or villagers in the CSSR have heard of

Slusovice. LPG chairmen come to visit the combine in order to learn by watching. Still, up to now nobody has been able or willing to copy it. It remains an experiment that commands admiration but also raises doubts.

GERMAN DEMOCRATIC REPUBLIC

Statistics Provided on Growth of Rail System

90EG0028A East Berlin SCHIENENFAHRZEUGE in German Vol 33, Sep 89 pp 213-216

[Article by Herbert Keddi, social scientist, engineer, deputy minister, and first deputy of the Director General of the GDR railroad: "Efficient Railroad as an Economic Requirement"]

[Text] As of 7 April this year, 150 years had passed since the first long-distance German railroad route between Leipzig and Dresden was opened. This event was appropriately acknowledged by GDR railroad workers, conscious of the fact that the real beginning of the development of the railway system in the German countries did not start until this route was opened, creating at the same time an essential prerequisite for the rapid development of general economic life. More than 100 years later, a new beginning for the railroad was necessary, because Hitler's fascism had left the railway system and all other sectors of social life in chaos.

In what is now the GDR, approximately 14 percent of the routes were destroyed, 970 railroad bridges were unusable, approximately one-third of the buildings and 54 percent of the station platform halls were reduced to rubble. By far the greatest part of the vehicle fleet was in West Germany, and of the remainder 56 percent of the locomotives were not operational and 59 percent of the passenger cars were severely damaged. Similar or worse conditions existed in other branches of industry. Those were the initial conditions when 44 years ago, on 1 September 1945, by order no. 8 of the Soviet military administration in the territory of our GDR today, the railroad was transferred into the hands of the people.

Until the establishment of the GDR, this was how radical anti-Fascist democratic change became possible in the state apparatus, the economy and even with the railroad; in addition, it was possible to begin solving the first tasks of the period of transition from capitalism to socialism. However, the material foundation as an initial basis for healthy and systematic growth of the young state and its railroad was extremely bad. Faith in successful development of these two state and economic sectors which have a reciprocal impact on one another demanded the knowledge of responsible functionaries in the respective management offices in respect to the strength and capabilities of a working class which was developing free from capitalist exploitation.

Efficient Railroad in the GDR

Today, we railroad workers can justifiably state with pride that the past 40 years are among the most successful in the history of the German railroad and are linked extremely closely with the continuous dynamic development of our republic which focuses on the welfare of the people. Today the GDR railroad numbers among the most facilities-intensive enterprises in the GDR. Every railroad worker controls basic assets worth on average M 360,000.

Since 1970 in particular, there has been a substantial increase in the demands on the railroad, stemming from the policy, which was adopted by the Eighth SED [Socialist Unity Party of Germany] Party Congress, of the primary task in its unity of economic and social policy which in turn triggered the further upswing in the economy as a whole.

Freight transport capacities increased from about 40 billion ton-kilometers in 1970 to about 60 billion ton-kilometers (thus about 150 percent) in 1989. Thus, the railroad achieved a 75-percent share of all domestic traffic freight transport capacities. That is an important contribution to fulfilling the "Directive of the 11th SED Party Congress to the 5-Year Plan to Develop the GDR's Economy from 1986 to 1990" which set forth for the transportation system, among others the task to meet the economically based transport requirements in freight traffic reliably and with declining costs and in a priority way to guarantee increased efficiency in the railroad with marked improvement in the quality of its transport and conveyance capacities.

The available capacity in passenger traffic was increased significantly so that today the railroad realizes about 40 percent of public passenger traffic capacities and transports about 1.7 million people every day in commuter, school, and long-distance traffic.

By virtue of extensive transport shifts the railroad took over from the highways substantial additional transport capacities for the housing construction program by utilizing the energy-efficient advantages of rail traffic.

With the shift in energy sources from imported petroleum to the domestic industrial energy basis, coal transport in particular showed a significant increase after 1980. Thus, in 1988 for example, 25 million more tons of coal and coke and 7 million more tons of building material transports were handled and road transport was relieved of 33 million tons of freight.

Although it was not completely possible to link the pace of dynamic development with a material-technical basis of the railroad which was developing on a similar scale, decisive prerequisites were, however, created which made possible for the first time the increases in capacity which were achieved.

More specifically, since 1970 decisive prerequisites for continuous increases in capacity, which were also in the

interest of the republic, with a roughly constant labor force potential, were created by:

- expanding about 1,950 km of two- and multitrack routes
- using about 6,500 track brakes at switchyards
- increasing efficiency with the new construction of 370 geographical panels, and
- using 1,100 km of pointlike train control installations, almost 3,600 km of radio train controls and about 1,200 train-operated grade-crossing safety installations.

Route Electrification as Key Rationalization Element

The decisive key element in rationalizing and strengthening the railway system's material basis in the last decade was the electrification of routes. If in 1970 the share of electrified routes was only 1,350 km, which accommodated about 16 percent of train transport capacities, at the end of 1989 it was about 3,770 km.

In this, the 40th year of the GDR, for the first time more than half of the train transport capacities are being realized with the most modern of all kinds of traction. Steam traction was stopped on main routes; steam locomotives bring pleasure to friends of the railroad only as desirable subjects to photograph in front of special or traditional trains.

The most important chapter in the electrification program was realized by the members of the FDJ's [Free German Youth] Central Youth Project "electrification of railroad routes" which has been in existence since 1981; about 63,000 concrete foundations were laid and contact line poles erected and about 6,500 km of chain pulled.

The 2,000th km of electrified railroad route since the 10th SED Party Congress will be put into operation on the eve of the GDR's 40th anniversary. Route electrification was thus developed as a decisive innovation process and an energy-efficient rationalization process in new dimensions, resulting in approximately a 35-percent reduction in specific traction energy consumption since 1980. Not least, electrification of railroad routes ranks high because of obviously less environmental pollution stemming from less emission of pollutants.

Even in the car fleet sector, the reproduction of freight and passenger cars required implementation of the prerequisites which are essential for guaranteeing growth in capacity and with consideration of those in industry and the railroad; in this connection it was not always possible to realize the most efficient solutions. The GDR railroad uses about 8,500 passenger cars every day for the 7,500 passenger trains which must operate. In 1986 to 1988 alone, about 700 new vehicles were added, of which about 70 percent were produced by the railroad itself in the GDR Halberstadt railroad repair yard.

Because of the increasing capacities special efforts were essential in connection with the freight car fleet in order to make the necessary transport space available. Based

on a May 1985 government resolution, by 1990 approximately 13,000 DA [twin axles] on open and flat cars will be added to the fleet; this is also true of 7,200 DA for enclosed cars and about 2,500 DA for special cars; of these the DR itself will likewise produce just about 6,000 DA in its repair yards. In spite of these large numbers, by 1990 it will still not be possible to achieve any proper structural development of the freight car fleet. In particular the share of bogie cars is decidedly still too small.

The railroad's fleet of locomotives includes about 6,100 vehicles. Of these about 75 percent are diesel tractive units. Because of the rapid electrification of the system the relative composition of the fleet is constantly shifting toward electric traction. Every year since 1986 more than 100 electric locomotives which were produced by the LEW [Locomotive Construction and Electrotechnical Plant] Hans Beimler Combine, Hennigsdorf, have been put into service. In spite of these significant new additions the average age of the vehicles continues to rise. The resultant increase in maintenance expenditures has far-reaching effects on the capacities which must be provided by the 36,000 railroad workers in the vehicle repair sector.

Even in the future the working people in this sector will continue to be responsible for guaranteeing proper vehicle maintenance. In addition to the further rationalization and modernization of maintenance processes the most important overall strategic tendency consists primarily in lengthening maintenance cycles by using wear-resistant parts. Beyond that, new construction of freight cars must be substantially increased and the efforts on the part of the scientific-technical facilities must concentrate on making an increasing contribution to the production of typical railroad rationalization means. Just since the 11th SED Party Congress, for example, more than 200 trailing cars were produced for the Mukran ferry port, some 900 reversible trucks for wide-gauge cars and about 18,400 large containers.

Strategic Main Lines of Development

On the occasion of the GDR's 40th anniversary railroad workers in our republic can look back on the previously mentioned initial positions, which were by no means complete, with pride and in the knowledge that they are embedded in a peace and social policy in our country which also guarantees social security for each railroad worker. Yet this security does not come about by itself. Especially in the next few years it will be a matter of an even better understanding of this relationship between performance and social result and acting accordingly. To do this, it is necessary to have all railroad workers understand that the path which has been taken in the past few years in realizing the party resolutions for increased intensification of the railway system's transport, construction and repair processes, a path which on the whole has been proven valid, and with which the railroad fulfills its role in the economy, must be purposefully continued in a manner appropriate to the increasing demands in harmony with the likewise increasing opportunities provided by socialist society. By continuing the energy- and cost-favorable division of labor between the

carriers, the material-technical basis of the railroad as a condition for stabilizing and enhancing its efficiency, must be strengthened, particularly by greater output in the industrial and building and contracting sectors. At the same time, the necessary scope and growth in capacity can be put on a stable basis by raising the scientific level of the transport, maintenance and construction processes and by using efficient technologies.

In this context, the tasks of the GDR railroad can be organized along the following strategic main lines for the foreseeable future:

- Improving the level of quality in commuter and passenger traffic as an important social mandate to the railroad;
- Stable and appropriate domestic and foreign trade transport as a contribution to the republic's steady economic growth while continuing to energetically pursue the design which was adopted in order to lower specific transport costs throughout the economy and for an energy- and cost-favorable division of labor between carriers;
- Stabilizing the railway system at a greater rate of progress which consists primarily of the appropriate maintenance of the railroad as a decisive prerequisite for stability in schedule technology,
 - continuing to electrify the system, and outfit it with modern safety equipment as decisive processes of innovation for greater DR efficiency
- Greater profitability of the railroad by:
 - the most economical use of material, personal and financial capital
 - reducing the specific cost of working time, material and energy
 - guaranteeing a greater contribution by the railroad to the GDR's national income.

A few selected requirements for these key tasks, which apply not only to 1989-90, but will also characterize the strategy of the next 5-year plan period, are amplified below.

Quality Requirements in Passenger Traffic

In view of the ongoing motorization of individuals, the quantitative level of development which has been achieved must be the starting point in commuter, school and passenger traffic, that is, the number of passengers to be transported every year will remain more or less constant at about 600 million people. This results both in the necessity as well as the opportunity to have a systematic impact on eliminating shortcomings and, in harmony with the opportunities provided by the plans, to improve the level of quality, particularly in areas of importance for passengers, such as:

- passenger trains being on time
- smooth dispatching and excellent information, and
- appealing cleanliness of the installations and vehicles.

The prerequisites which exist for the individual tasks are diverse. In each case it is essential to accomplish that which can be done, to fully utilize the opportunities available and systematically to repress subjectively conditioned negative impacts and influences. It is not enough to point to the fact that there has been a positive development in train traffic since 1986. It was achieved at the cost of temporary technological additions to travel time starting with the 1988-89 schedule change. There was, of course, no alternative to this, yet we must keep our word vis-a-vis the passengers and again get rid of the resultant increases in travel time in a systematic and route-based manner. The pace to date is totally inadequate. The change in the schedule this year achieved the first, and for the passengers, markedly shorter travel times only between Berlin and Stralsund via Pasewalk and between Erfurt and Berlin. Now we must work on further reductions in travel time on a number of important routes when the schedule for 1990-91 is changed, for example between Berlin and the Bezirk cities of Dresden and Magdeburg.

The way to do this is to eliminate facilities-based travel time losses by means of route-based concentrated construction in all trades, as well as reducing technological travel time reserves to a reasonable level.

By continuing to use modern, efficient, and microcomputer-assisted technology for selling tickets and reserving seats there must be assurance that waiting and dispatching times will continue to decrease, that the dispatching system will show an increase in being user-friendly to the customer and that the workers necessary for these processes will be available with simultaneous continued improvement in their working conditions.

On the average, every day about 8,000 passenger cars are currently given external and internal cleaning following a fixed cleaning cycle. This takes care of about 93 percent of all the highspeed trains in circulation in the system; however, the number is far less for passenger trains. As far as the passengers are concerned, clean trains are a decisive feature of quality. Thus, in the future, in a manner more consistent than has been the case in the technological plans, it will be important to assemble the trains, as provided for in the plan, will have to be assembled in the washing facilities in a timely way in order to utilize the washing and cleaning capacities around the clock. To do this, it is essential that science and technology provide not only perfect solutions at appropriate cost levels for the year 2000, but also that more ideas be realized which can be achieved at low cost; as, for example, wherever passenger cars can be filled with water. Beyond that, all activities must be continued and enhanced which stimulate the use of additional cleaning crews and even the availability of additional cleaning equipment by developing their own rationalization means.

In the major service sector of car management it is important to decisively strengthen management and control and not be satisfied with inadequacies!

Stable and Efficient System

In the next few years the key problem in the railroad's reproduction process will be increasing the stability and efficiency of the system in the broadest sense. In this connection, the permanent way and its systematic preventive maintenance in particular assume major significance, conditioned by the railroad's basic technological principle of "travel on solid rail joints." The 1989 construction program for the year contains 6,000 km of permanent way repairs, including 940 km of track repair, which in the future is to be increased to 1,000 km, 680 km of ballast cleaning and 3,200 km of thorough inspection of the tracks with special high-performance equipment.

In view of the current extraordinarily high use of most main lines, conditions are emerging for maintenance of the railroad installations in the next few years which by necessity will require a further increase in construction efficiency. The currently permissible periods of time for track closure for construction cannot be lengthened, rather they must be reduced in part. Thus, the measures which impact operation and which are essential to restore, maintain, and increase route efficiency must be implemented in such a way that when routes are closed maximum capacity is achieved while observing all quality parameters. This requires modern maintenance technologies, in particular the use of sensible combinations of individual machines or entire chains of machines. Beyond that, preparation of construction work, both in respect to operational technology and machine technology, must be further structured with the goal of not permitting a minute's increase in a scheduled shutdown on heavily traveled main routes, because exceeding shutdown times causes losses on a magnitude which is economically unacceptable. Thus, it is less a matter of increasing the scope of construction every year than it is to tighten up construction time, to guarantee preventive maintenance and at the time of a shutdown to guarantee the necessary work of other trades on a broad basis. Complex construction sites at which work using highly efficient technologies can be worked around the clock—thus even in the dark—are increasingly unavoidable. This imposes high demands on railroad construction workers whose working conditions must be developed in harmony with the increasing volume.

Increasing the stability of the system must be linked with a further increase in efficiency, the key element of which is continued electrification of the system at the rate of approximately 300 km/year and the use of modern safety and telecommunications technology in keeping with economic opportunities. Providing efficient parallel tracks on the most heavily used main lines is particularly important; these can be used to distribute traffic using the same kind of traction in a meaningful way with consideration of the extent of track usage or to reroute a sufficient number of trains as a prerequisite for systematic maintenance, both in the case of large-scale construction work as well as disruptions or accidents. These prerequisites are in place for a number of main lines, yet such a possibility is lacking in the case of the most

heavily used main line in the DR's system, the Berlin-Halle (Saale)/Leipzig-Erfurt route. Particularly on this main route and at the Halle (Saale)/Leipzig junction the increases in volume of the past few years have resulted in such high degrees of use on many track sections as well as associated evidence of overload. They in turn cause increased sensitivity on the part of operations management, which even in the case of rather small irregularities in part forces substantial deviations from the technological design, makes preventive maintenance of the installations difficult and results in reduced quality in passenger and freight traffic.

Therefore, one of the most important tasks in expanding the DR's system in the next few years consists of two-track expansion and electrifying the (Berlin)-Seddin-Guesten-Blankenheim-Sangerhausen-Erfurt route. Only with the expansion of this parallel main line will the conditions be created for stable operation at the Halle (Saale)/Leipzig junction in order to be able to handle the passenger and freight traffic to and from Erfurt Bezirk in a qualitative and timely manner which also meets the requirements. At the same time, the efficiency of the Leipzig freight ring, one of the most important arteries in the heart of the DR's rail freight traffic, the Halle GDR railroad directorate, must be increased. The capacities of all sectors of the railroad which are involved in preparing and carrying out this work and the economically necessary cooperation must be concentrated in a priority manner on these two tasks.

Increasing Demands on Capacities in Science and Technology

Our railroad's current task and the one which will also define the future, namely guaranteeing all economically essential transport requirements, can only be solved by taking into consideration the anticipated development of material resources and the social capacity for work, if even higher profitability and efficiency is effected in the determining processes. The decisive contribution must come from science and technology. Scientific-technical development for the railroad is determined by three major thrusts, specifically

- the introduction and use of key technologies in the major processes of railroad transport, industrial and construction production,
- the previously cited continuation of system electrification, and
- in-house production of rationalization means.

Of the large variety of rationalization projects which have been tackled in large numbers in honor of the GDR's 40th anniversary and in preparation for the 12th SED Party Congress the planned result must be achieved in each individual case. That is one of the most essential tasks for 1989-90. Beyond that, in-house production of rationalization means must rise, show a 20-percent increase between 1991 and 1995, and in respect to key areas must concentrate on track repair machines, underground construction equipment, switching equipment, vehicle maintenance and cleaning, and on safety and

telecommunications technology. Essential as prerequisites for this are a new kind of division of labor and the development of internal cooperation, which is efficient and ranges across major service branches and sectors.

The process of concentrating the research and development which was initiated in 1988-89 must be continued in the future with even greater decisiveness. In this, the necessary transport requirements must be realized together with our economic partners by means of efficient transport technologies in a reliable way and with decreasing costs. One of the ways to do this is to develop computer-assisted production-transport chains which will be made possible by the use of microcomputer technology, combined with the prerequisites which must be created for efficient and effective data transmission. Decisive prerequisites to reduce specific transport costs and for better utilization of the freight car fleet are to be created by:

- optimizing relations between transport and delivery
- applying optimization results to planning train assembly, and
- developing an efficient, computer-assisted system to monitor and announce freight cars. Other essential results can be achieved by simplifying secondary and auxiliary processes, for example, by dispatching and transporting without bills of lading.

In the future, for all tasks which are to be solved in the scientific-technical sector, even more vigorously than to date, the effect which is to be achieved, measured against the cost involved, must be the decisive criterion in respect to the value of handling specific topics. Saving active work, particularly freeing up workers, has absolute priority. By 1995 more than 20,000 workers must be saved just in order to balance out development which is to be expected in the social capacity for work. The most important contribution to this must be provided by science and technology.

Next Stretch of Road Requires High Degree of Performance Readiness

The DR's key tasks which must be solved in the next few years were outlined; these require good preparation and a high level of efficiency. In the case of longer-term problems it must never be forgotten that the most important task consists in satisfying on a daily basis the economically mandatory transport requirements. In order to fulfill the 1989 plan tasks, especially to gain control of the fall and winter peak travel loads, railroad workers are still facing a demanding stretch of road. At the same time we must be conscious of the fact that in all sectors of the economy, especially in preparation for the 12th SED Party Congress in May 1990, extraordinary demands will be placed on the railroad starting the first day of next year. This requires the use of all resources, a substantial measure of fighting spirit, readiness to perform and creative work in all railroad worker collectives and forward-looking management of the respective processes based on a division of labor on the part of the state managers in close cooperation with the responsible party and trade union units.

Medical Staff Deplores Poor Equipment, Unavailable Local Housing

90EG0053A East Berlin TRIBUNE in German
31 Oct 89 p 3

[Article by Dr Sigrun Pilz, senior physician at the Institute for Laboratory Diagnostics in the Berlin-Buch hospital center: "Reflections and Thoughts of a Physician at This Time; Deep Gaps That Cannot Be Closed Quickly"]

[Text] We physicians are deeply concerned when we hear of professional colleagues leaving our country. Fortunately, no physician of our institute is among them. But, I am sorry to say, two of our medical assistants did leave.

As deputy director of the central laboratory of Medical Field I and honorary BGL [factory labor union committee] chairman of the institute, I know only too well that two new unfilled jobs entail more headaches: for even without that we had a staff shortage. Not least also as a result of the housing policy in Berlin however incredible that may sound for the moment. As a consequence of the great distance from Buch of newly built apartments in Marzahn, Ahrensfelde, and Hohenschönhausen for our colleagues, they looked for employment in those city districts.

We really consider every day how to close these gaps. In health service we depend on one another. Without our laboratory tests a surgeon cannot operate, the therapy for a dialysis patient cannot be determined, and the high-risk delivery cannot be meticulously prepared. Our physicians and other university graduates as well as the medical assistants must be there around the clock. In other words, working in shifts. But a shortage of staff in our institute can be replaced only by high-performance equipment and apparatus. We feel that quite clearly: When our Culter automatic hematological device is broken and we have to wait 3 weeks for service. Then our staff sits in front of old microscopes and it is even difficult to obtain them because Zeiss has not fulfilled its contracts for years.

We prepare our plans annually, and list what we urgently need. But we only receive very few of the items. The same applies to biochemicals. It can well be imagined that our physicians are angry when the laboratory tells them that certain tests cannot be performed for such reasons. And, of course, we ourselves are most dissatisfied.

In the Buch hospital center we have always been able to discuss very openly concerns and problems on the labor union and state level. And we don't have to hide our light under a bushel, for over the years we were able to change quite a lot for the better. I want to assure you that in this connection what has been and still is important to us is good care for our patients. And from the viewpoint of the hospital center that is also becoming more difficult because of the staff shortage.

Undoubtedly not everything can be changed overnight even now. But I think problems must be identified,

analyzed, and straightened out. Has there ever been a time when cooperation, coplanning, and cogoverning has been more in demand than now? That has taken on a new meaning for all of us. Therefore, I was also prepared to express my thoughts and reflections in TRIBUNE. I think about all this not least also as BGL chairman. I think our foremost labor union task is to listen to the working people and to help making changes.

This applies, e.g., to the discussions on wage policy. In our institute a physician in the same job as a natural scientist receives a few 100 marks more than the latter. Inconsistencies such as these and others irk people. My aim is to make it mandatory to include and question more experts in wage and salary matters. We have submitted our ideas to the FDGB [Free German Trade Union Federation] federal executive and the ministry regarding new collective bargaining agreements for medical assistants and nurses.

We ought to rethink many things in our labor union organization, too. For example, I ask myself every day how I am supposed to meet fully my duties as honorary BGL chairman as senior physician in the central laboratory. There is simply not enough time. Is it at all possible to reorganize the labor union work that it would be possible to manage with fewer functionaries?

Or: Why are we assigned a wall newspaper topic every month? We would prefer a poster on the topic of health service instead of one on cooperative farmers. Or: Friendship agreement of the hospital center with the Bodkin hospital in Moscow. The agreement exists only between the managements of the two institutions. Or: Why is it that we get only so few FDGB vacation spots? And finally an opinion of staff members who do not want to join the FDGB makes you think: Why should I join, the labor union represents the interests of all working people, not only those of its members.

I was only able to repeat a part of all the things that are now being brought up. But I would like to add the following: In our institute as in the entire hospital center we have a permanent staff, reliable, ready for action. If our people get all worked up, that is above all because of the wish to improve the GDR.

HUNGARY

Import Liberalization Record Reviewed

Fledgling Market Effects Found

25000524B Budapest FIGYELO in Hungarian
2 Nov 89 pp 1, 9

[Article by Janos Gacs: "Import Liberalization: Freedom With New Limitations"]

[Text] The liberalization of imports payable in convertible currencies was one of the most radical reform measures of 1989. A peculiar kind of secrecy preceded the arrival of the package. In reality it had already been

delayed by a decade. Interested parties were told at a relatively late stage about the group of products to be liberalized and procurement procedures to be followed. The relationship between liberalization and industrial policy was not clarified, and in an incomprehensible manner, the broadly based liberalization was not supported by a devaluation of the forint relative to convertible foreign exchange.

At the beginning of the year it was not at all clear that the new system would not collapse within a short period of time. This writer felt that liberalization was not properly prepared and that this initial step would create grave tension. But that did not take place. The first 8-month record of imports payable in convertible currencies does not suggest an unexpected runaway situation. Such imports clearly remained within planned limits. True, counting in foreign exchange, the importation of liberalized goods increased by 30 percent as compared to the same period last year, while the importation of goods that were not included in the liberalized list dropped by 3 percent. Thus the total increase of imports payable in currencies other than rubles did not reach 8 percent.

Moreover, certain changes may also be discovered in enterprise conduct. Since liberalization is a very new phenomenon, adaptation to the phenomenon may be only at its very beginning in the course of a few months. At the same time, however, the possibility of assessing the record is also very limited.

Above all, liberalization contributed to accelerating the rearrangement of the traditional system of relationships that evolved and became rigid after 1968 between the licensing authority, foreign trade enterprises, enterprises trading in means of production, large and small enterprises, and finally, those who utilize the imported goods. Now, 40 percent of the imports are only recorded by the licensing authority. Its earlier rigor and unpredictable character are things of the past. The shortage of forints became the solid limitation on imports. As a result of the fact that, with regard to all imports, the forint funds became segregated and committed on an interest-free basis overnight, enterprise import procurement became increasingly limited by the enterprises' solvency, rather than by the licensing process. Kopint-Datorg's examination of more than 600 enterprises appropriately reflects this changed situation. While prior to liberalization enterprises responding to surveys listed the shortage of materials and parts subject to imports payable in dollars as the prominent, and often the leading factor that hinders production, this complaint has practically disappeared in 1989 (it was mentioned by only 10 percent of the respondents). The bulk of the shortage shifted from the material sphere to the financial sphere: The lack of capital (money) proved to be the strongest factor that limits production (with 50 and 46 percent of the respondents so indicating).

Thus, in terms of enterprise management, the role of banking relations has increased with regard to imports—in other words, who is able to obtain credit under what

conditions and from which bank. Add to this the strengthening role of the Hungarian National Bank [MNB], after all, just like in earlier years, the central bank is inclined to slow down the use of scarce foreign exchange by postponing and delaying the issuance of foreign exchange permits whenever the liquidity of foreign exchange declines. Some believe that in reality the authority to manage the foreign exchange fund was transferred from the licensing authority and foreign trade enterprises to the banks.

Price Effects

The most obvious theoretical advantage of liberalization is the shortening of the procurement cycle. One need not wait for licenses, and foreign trade enterprises need not order imported goods well in advance or clear customs and store these goods due to uncertainties. All this is true, but this correlation does not fully prevail in today's Hungarian economy. That is, the hardening of financial barriers also strengthens the time limitations; enterprises in general have no money, therefore, before mailing their orders they must wait until funds needed to make a deposit on the imports accumulate, or until they receive bank loans. All agree that the present waiting period permits more relaxed management than the nervous expectations involved in licensing, but the time advantage gained by eliminating the licensing process has been essentially offset by the time required to obtain the money. True, there are foreign trade enterprises which purchase goods on their own account. This represents a great advantage to buying enterprises. Nevertheless, these foreign trade enterprises are continuously involved in solvency struggles. Thus, although enterprises make deposits on their import procurement, orders are very frequently delayed until the appropriate forint amount is accumulated. Accordingly, under these conditions the time needed for procurement is prolonged within the foreign trading company.

The expectation that sooner or later, if not instantly, import liberalization will contribute to the reduction of prices is also obvious. The initial few months show mixed results. Little has changed with regard to means of production, while in the consumer market signs indicate that competition has indeed forced out a price reduction. In evaluating the issue, deposits once again are of definitive significance, because from the standpoint of the value of goods it is not indifferent whether 1.5 percent or 100 percent of the value of some product must be committed in the form of deposits for several months on occasion.

Occasionally one finds indications which suggest a tangible reduction in procurement prices—even if not instantly, in the near future. Thus, in response to actions taken by the central government and to liberalization, mercantile exchange may decline. Based on earlier experience, the exchange of merchandise "resulted" in higher procurement price levels than price levels that evolved in the course of simple importation. Another consequence that flows from liberalization is the fact that while in

earlier days enterprises took advantage of rarely granted licenses and supplemented their machinery orders with everything else (accessories, peripheral items, spare parts) so that they would not have to wait later for a new license, now that liberalization has become a reality they purchase only the basic machine they really need at a given point in time.

Oversupply resulting from liberalization resulted in reduced prices on a number of consumer goods. Intoxicated by the suddenly emerging opportunity, commercial firms accumulated large inventories of certain liberalized products, to an extent that by the second half of the year they had difficulties selling these products. With regard to most liberalized products, increased competition has continuously acted to depress prices. Mainly the "newly arrived" small enterprises were leading in price reductions, while traditional commercial enterprises were forced to follow that lead. This trend was characteristic, primarily in regard to entertainment and household electronics, and computer products.

Competition in Trade and Among Shippers

One of the most obvious effects of liberalization is the fact that constraints that stimulate commercial enterprises to become more flexible and to perform their work more attentively have increased. With regard to import transactions, the significance of the earlier free choice between foreign trade enterprises amounted in part to a formality, because an overwhelming part of the licenses and funds was delegated to specialized foreign trade enterprises. As far as the liberalized group of products is concerned, this situation has ceased to exist now, and both foreign sellers and Hungarian buyers may easily question the fitness and efficiency of their previous intermediaries. The more significant capitalist partners come closer to the market; they open offices in Hungary, deal directly with the ultimate user, and endeavor to establish a permanent market presence. In earlier days foreign firms were satisfied if the specialized trading company was able to obtain a permit for the importation of goods. Today they expect salesmanship from foreign traders. Even though on a sporadic basis, similar endeavors also characterize Hungarian users. We have already mentioned the fact that financing considerations are gaining strength. The rate of commissions paid to intermediaries is also coming to the forefront, and so does the courtesy and promptness manifested by intermediaries. In some areas, competition between foreign trade companies has become more keen.

Quite naturally, products which require greater expertise and more detailed work (such as machine parts) are not among those with which many merchants have begun to deal with just recently. At the same time, however, liberalization and simplified procurement provide an incentive to an increasing number of producer enterprises to do their own procurement.

Another self-evident and anticipated consequence of import liberalization is that Hungarian buyers are

changing supply sources for a number of imported goods that are difficult to obtain, and as a result they are reducing their purchases from domestic producers and socialist sources. As far as the reduction of procurement from socialist countries is concerned (during the first 8 months of 1989 imports payable for in rubles dropped by 10 percent if calculated in transferable rubles, and within that, machine industry imports dropped by 16 percent), we are facing here a process that has been going on for years, therefore it would be difficult to quantify this year's effects of liberalized imports payable in convertible currencies.

One of the greatest surprises produced by liberalization is that only a small number of Hungarian industrial enterprises claimed that import competition threatened their sales. Most likely the general stagnation, the paralysis that set in as a result of difficulties to obtain financing, and the uncertainties of socialist sales diverted the Hungarian enterprises' attention from the wounds suffered as a result of import competition.

Data pertaining to the production and sale of machinery shows that during the first half of 1989 the net import increment on the Hungarian market amounted to 12.6 billion forints. Paralleling this, or one could say in response to this effect, Hungarian sales declined by 4.1 billion forints or 3.4 percent. Accordingly, domestic sales declined, and in certain fields such decline may be expected in the upcoming years. For example, our electronic appliance and equipment manufacturing industry experts have an accurate view of which parts manufacturer will not be able to withstand competition, and will go bankrupt within a short period of time. But these experts can also clearly see that the decline in Hungarian orders caused by import competition casts a dark cloud also over their own future.

The Next Step

Plans call for another significant (20-percent) expansion of the liberalized list of imported products in 1990. At this time the list of goods will be supplemented primarily by materials (foundry, building industry, chemical industry, and light industry materials), accessories, spices, and certain service provisions. As far as the processes that have taken place thus far are concerned, there still is some chance that imports will accelerate. (This is indicated by the applicable data produced between June and August. These show increases in virtually every group of products, as compared to the same period last year.) But it is more likely that since a larger general sales tax refund will be granted after investments next year, enterprises will postpone importation of machinery—the bulk of liberalized products—until the beginning of next year during the remaining months of this year.

Despite consolidation that may be expected, it is our view that import competition has not yet run its course, in the sense that the number of producer and commercial organizations becoming loss operations may multiply in

the near future. Organizations which got into trouble due to solvency problems and the loss of socialist markets may be supplemented by enterprises who lose domestic sales as a result of import competition. If that is the case, industrial policy management will definitely be forced to assess which industries should be maintained, and whether the ones that succumbed to competition should be left to their own.

* * *

The importation of machine industry items, which constitutes the largest segment of the liberalized group of products, increased by 35.5 percent. There were product groups in which importation declined, while glazed tile—part of the building industry product group—multiplied by 1,500—an explosive expansion. Within machine industry products, the importation of communication, vacuum technology, and instrumentation products increased rapidly by between 50 and 60 percentage points. This significant increase in trade volume is no coincidence. These are the products in relation to which years of excessive demand created tension, not only because of solid administrative barriers, but also because of clear-cut price advantages favoring imports payable in convertible currencies. Every machine industry product group is characterized by the fact that the volume of imported parts increased at a far higher rate than that of the imported finished products. (About 30 percent of machine industry imports constitute parts.) Data clearly show that in essence, the 1989 liberalization constituted the liberalization of machine industry products and parts, because 90 percent of the increment (calculated in foreign exchange) applies to this group of products.

Liberalization affected inputs [as published] used in production, machinery, and consumer goods used by the populace. Separate as well as combined data show that demand for liberalized goods is more vigorous on the part of the populace than by producer organizations. For example, trade in building ceramics increased rapidly. Similarly, the importation of electrical tools used both by the populace and in production increased (274.5 percent), and so did the importation of household electrical freezers (1,166 percent) and color television sets (207 percent). During the first 6 months of the year the volume of imported consumer goods like machinery almost tripled as compared to last year's volume.

To characterize enterprise demand we will use data related to the main product category called "machinery." The import volume in this category increased by "only" 26 percent during the first 6 months of the year. The different interest manifested by the two spheres toward free import opportunities may be explained by many reasons: greater financial reserves held by the populace, certain absolute shortage situations in the consumer goods market (glazed tiles, freezers), the difference between ways in which the two spheres protect themselves against inflation, etc.

Varied Effects on Manufacturers

25000524B Budapest FIGYELO in Hungarian
2 Nov 89 p 8

[Article by B.R.: "Enterprise Managers on Import Liberalization"]

[Text] Based on conversations with three enterprise managers we will try to provide an answer to the following question: How are the effects of imports that are freer than before regarded, from the standpoint of competitiveness? The three enterprise managers were: Orion President Laszlo Kovacs, Remix Commercial Director Karoly Ekes, and Instrumentation Technology Cooperative Deputy President Tibor Hejj.

First of all, the market positions of the three enterprises are different. Two of the enterprises (Orion and Instrumentation Technology) manufacture communications and computer equipment, while the third (Remix) is one of the largest Hungarian component and parts manufacturers within this sub-branch of industry. This difference may also be detected in their views regarding import liberalization. While, for instance, almost all parts and component parts used in the production of communication and computer equipment are liberalized from the standpoint of importation, materials used by parts manufacturers for these industries still may be imported only under an import license. This fact has restricted the opportunities of parts manufacturers because they must try to retain their earlier customers by reducing prices or shortening delivery deadlines.

But "fortunately," the equipment manufacturers did not jump head-first into the water. They did not, for several reasons. First, both producers and users viewed import liberalization with a healthy lack of confidence. This lack of confidence may be considered to be fully warranted under Hungarian conditions. They really did not believe, and perhaps they still do not believe, that import liberalization will last long. Second, the monetary restriction caused by the requirement to open a letter of credit—to make a deposit in forints—proved to be a rather effective means, at least thus far, of holding back on imports, to prevent the phenomenon of runaway imports, as predicted by many. Third, the combined effects of customs duties and the system by which deposits are required narrowed down the circle of imported goods that are competitive with Hungarian products. And here we must caution again that we are not talking about consumption by the populace and about consumer goods, but exclusively about producers and utilization by producers.

If someone imports liberalized component parts, two factors must be added to the procurement cost of the item before the selling price is derived. One percent of the cost of importation must be paid in when the order is placed. This is a registration fee. To this, one should add 5-percent customs handling and registration costs, and the customs duty applicable to the given parts category. Although opening a letter of credit does not constitute

customs duties, the commitment of funds for several months, and the loss of a nearly 20-percent interest earning on deposits further increases the cost of imports. To this, one should add commissions paid to foreign trade enterprises, and possibly an exchange rate differential suggested by the MNB (plus or minus 5 percent). Accordingly, the added cost to importers is between 30 and 40 percent higher.

For this reason, equipment manufacturers (Orion, Instrumentation Technology) using parts and component parts will substitute only those Hungarian products with imported products where the part manufactured in Hungary costs 30-40 percent more than the imported product. Enterprises established the list of possible imports on the basis of such calculations, then decided either to acquire their products through imports, or to begin bargaining. Usually they were of the view that the domestic production background must not be abandoned, meaning that they would not import goods even if the price differential was greater than 40 percent. They preferred to persuade their shippers to reduce their prices. Abandoning imports from socialist countries was easier for the enterprises because of large price differentials in individual instances in favor of capitalist imports, and because of inferior delivery conditions. There are, of course, groups of products which present no choice due to the absence of domestic production and socialist import opportunities. In such cases the issue does not pertain to competitive imports, and liberalized imports, which exchanged the thicket of the import licensing system, provide great relief to manufacturers (e.g. Instrumentation Technology).

The above will explain to a certain extent why parts manufacturers have not experienced severe capacity utilization concerns thus far. As the Remix commercial director said, their production has increased less than it would have without import liberalization. Their view on pricing is different from that held by the equipment manufacturers, of course. Conditions for equal competition must be established in order to permit them to compete with foreign firms. In order to produce good quality parts, similar base materials are needed, materials they have not been able to obtain thus far. It is a unique, but justified argument, from the standpoint of parts manufacturers, that as a result of import liberalization their manufacturing costs have increased in certain cases. Reduced series production deteriorates the efficiency of the remaining production. And the effects of import liberalization can be felt most with regard to large volume parts production. In other words, their previous customers want to see price reductions and invoke competitive imports; meanwhile, however, they forget about the fact that if they had to import component parts produced in smaller series, the import prices would instantly appear less attractive.

In any event, it appears that imports, as a realistic alternative, reduce the user's and the buyer's dependence, regardless of whether these are large or small enterprises. Quite naturally, the parts manufacturers also

talk about dependence, and about steps taken to reduce such dependence. According to the Remix commercial director, 10 years ago 70 percent of the enterprise's products were purchased by four large enterprises: Orion, Telephone Factory, Videoton, and BHG. Last year the same 70 percent of production was distributed among 320 firms. Early this year they sent questionnaires to 450 places in order to assess the demand. The deputy president of the Instrumentation Technology Cooperative attributes the actual price war in the computer equipment market to the numerous participants in the marketplace. In this way imports are cheaper, according to him, and this is what lead to a 20- to 30-percent reduction in equipment prices.

New Conditions for Book Publishing, Distribution Described

*25000532D Budapest NEPSZAVA in Hungarian
9 Nov 89 p 6*

[Interview with Ferenc Zold, president of the Book Publishers and Book Distributors Association, by Gyorgy Voksan: "Divergent Interests" date and place not given]

[Text] Even the man on the street can see that the supply offered on the book market is in demand by readers. The reason for, and the result of this phenomenon is the evolution of a real market and the removal of book publishing from dictates; all of this has unavoidably placed this trade in the limelight. Countless new problems appear, materializing in the form of the trade protecting its interests—all one has to think of is the mass of press reports concerning the peculiar and divergent interests of book distributors and publishers. Ferenc Zold, president of the Book Publishers and Book Distributors Association, knows more about this.

[Zold] This association has traditions; actually it was formed along German patterns in 1878. Along with several changes in our name, we maintained legal continuity all the way until 1950 when the association was disbanded. They called us the National Association of Book Merchants, then the Association of Book Merchants and Works of Musical Arts, because the latter as well as antique book dealers sometimes left us, and joined us at other times. But the Association was always the association of owners, of bosses, if you wish, and not of employees. Accordingly, the Athenaeum Press was always represented in the Association by its managing director. This happened automatically. He did not become a member of the board as a result of some democratic election.

[NEPSZAVA] Why were you disbanded in 1950?

[Zold] We were judged to be "a damned capitalist outgrowth," and on top of that, by then the book publishers were demanding from the government that publishers be free at any price, without representing the interests of, let's say, the apprentice book salesmen.

Along with the trade association there was an organization called "nur fest" (tight only) which protected employer interests in the book trade; in other words, the personal interests of presidents. So that you understand, the "tight only" concept represented the same endeavor in the spirit of which not too long ago several organizations issued a proclamation entitled "Culture at Peril." These organizations ranged from the trade union of the workers in this trade, through the National Federation of Hungarian Journalists [MUOSZ] and the FDSZ [abbreviation unknown], all the way to the writers' association. This proclamation dealt with the money drawn away from culture, and with the threats faced by the market.

[NEPSZAVA] And what is your relationship with the book section established this year within the Chamber?

[Zold] They also protect the interests of the trade, but they are more closely tied to employers. In other words, they would undertake endeavors to increase the pay of presidents. Incidentally, in our association the president does not necessarily represent professional interests; those may be represented by the technical director on the basis of an assignment. In other words, we are truly representing the professional concerns of enterprises.

[NEPSZAVA] Such representation, however, presumes a kind of independence large publishing enterprises and their presidents could not threaten by using their influence. What kinds of organizational guarantees exist to prevent that?

[Zold] The present organization came into being when we reestablished ourselves in 1969, and once again several publishers allied within our Association. The board of directors is composed of publishers' representatives, the highest decisionmaking body of the association. In this body, book publishers and distributors participate on the basis of parity, i.e. with equal voting rights. And this year we became independent from the ministry. This represents a serious change, because the Publishers Chief Directorate within the ministry was able to exert quite some pressure in earlier days as to whether something should be published or withheld.

[NEPSZAVA] In what way?

[Zold] They simply told us what position we should take in regard to certain professional issues. They cautioned us not to include the publications of Ecclesia Publishers in our list for the winter book fair, because in their view it was appropriate to omit the Ecclesia publications from a political standpoint. And we were unable to disregard their admonitions, because we received subsidies from them.

[NEPSZAVA] Were you also personally dependent on them?

[Zold] Yes, because in earlier days my work record book was also at the ministry, they were the ones to determine my salary and my rewards, and indeed they successfully operated the "tighten then let loose" mechanism. Last

spring I walked out with my work record book because the board of directors decided that we should also become independent in terms of the legal representatives of this "firm." Thereby we also surrendered our subsidies, however, we could compete at the ministry—like anyone else—for certain assignments, such as whether we or the Hirmondo Small Cooperative should organize the Hungarian book fair in Paris. But together with other smaller firms, we had an equal opportunity to compete for organizing the October culture days in China, and these assignments are not unimportant from our point of view, because membership dues constitute our sole source of income. More accurately, we perform certain functions for the Foreign Ministry, and nowadays also for the Hungarian Architects' Association. In response to the latter's request we are organizing a presentation of Hungarian architectural books published during the past decade, in Madrid, 1990, at an architectural world congress to be organized there.

[NEPSZAVA] Let's take a look at your organization's name. Book publishers and distributors can easily be included under that name. In reality, however, the two bodies are distinct. As I understand the matter, aside from Kossuth Publishers which has a substantial distributors unit, the enterprises' profile is clear.

[Zold] This is no longer true today; the various firms are increasingly concerned about standing on one leg. An increasing number of publishers are opening stores, and establishing their own distribution networks. This path is being followed by Medicina, the Economic and Legal Publishers, Akademia, Zrinyi, and Helikon. At the same time, publishers organizing in the framework of new corporate forms are also trying to figure out what form of distribution they should have, because the State Book Distribution Enterprise and the rest of the large distributors have become cautious with regard to accepting books, and do so mostly on a commission basis.

Also, the distributors are increasingly becoming engaged in publishing, thus, for example, the State Book Distribution Enterprise [AKV] established the Budapest publishing company, and Cultured People distributors prepare the Planetas publications. Accordingly, there is no longer a pure profile with regard to anything, not even to the extent that the Technical Book Publishing Company would publish only technical books. Instead they produce some best sellers.

[NEPSZAVA] But still, let's separate the two types of activities, particularly because of the lack of interest between the two. I trust that you do not intend to say that your association is not being divided by this conflict.

[Zold] What I'm saying is this: It is the conflict of interest that limits our choices of action, and prompts us to increasingly assume the role of the intermediary. Let's take a look at those divergent interests. The publishers would like to publish as many books as possible, while the distributors are concerned about a shrinking demand with an ability to pay, therefore they take fewer books so

that their inventory does not get bloated. This indeed creates a certain kind of conflict of interest. In addition, the distributors, as I have mentioned already, are interested in taking books on a commission basis, while the publishers, particularly the small and new publishers, are unable to manage within the limits of their operating capital. Skirmishes and difficulties in reconciliation frequently emerge, even within the enterprises.

[NEPSZAVA] And in such cases is it you or the head of the enterprise who reestablishes order?

[Zold] We do not interfere with the internal affairs of enterprises. Each enterprise is independent, and we regard their internal affairs as sacred and inviolable. Moreover, we do not interfere with their publication policies either; we comment on their publishing plan, at most.

[NEPSZAVA] Some storm surrounded Antal Vegh's Gulag book, and you called on distributors to stop selling that book. In this case you could not avoid taking sides, and this may have sharpened the conflict.

[Zold] I repeat, our task is to protect trade interests, and that book was indeed an incomplete, shoddy translation of the original, it contained factual errors, and on top of that, the publisher, Uj Ido, Kft. was not authorized to publish the book, they merely stole an incomplete version from a West German publisher. In such cases we can render only one kind of decision, and this was understood by the large distributors, such as Teka, Nepszava, and Akademia. They prohibited the sale. Those who are not our members, and countless private distributors, continue to sell the shoddy Gulag.

[NEPSZAVA] Nevertheless, somehow the decision turned against you, because your name emphasizes a commonality of interests.

[Zold] We survived that matter in the case we talked about. And if you think of it, it would have been in the distributors' interest to sell Gulag, because they profited from it, nevertheless they understood the ethical points of view and proved that they cared about their reputation. On the other hand, I am not able to even forward our request to Joska Kovacs or Bela Kis who sell only on the basis of a permit that grants them rights in a certain area, and I could expect them to a lesser extent to see beyond their own business considerations. Don't think that I am overly optimistic, but I believe that distributors, regardless of whether they are members, will sooner or later discover that they are only able to act to the detriment of their customers for so long. And a publisher is able to "strong arm" a distributor if, for instance, he publishes a best seller, but sells it only in his own small store. But this leads to no progress.

[NEPSZAVA] What means do you have for playing the role of a mediator?

[Zold] Previously one could reserve a work at the Publishers Chief Directorate with a "subject profile," and

thereafter could sit on that subject, even for 4 years. Today such reservations are no longer necessary, nevertheless mediation seems to continue as a rational endeavor, because it is in no one's interests, not even the distributor's, if it turns out that a book was published by two or more publishers. For this reason we would like to establish an information system, a comprehensive, accurate catalog.

[NEPSZAVA] Thus far we have discussed the trade interests of publishers, and everybody has a perception about good, authentic books. What are the distributors' trade interests?

[Zold] To sell as many books as possible on the market, of course. And also that the person standing behind the counter be trained. We have tried to enhance this for the past 4 years in our training center. There is the threat that this trade is becoming debased, and this threat emerges mainly from those who sell on the basis of area permits. As far as we are concerned, we will continue to provide rules of ethics in the form of recommendations to protect the publishing and distributor trade, in the interest of customers.

Suzuki 'Swift' Assembly Plant in Esztergom Imminent

90EC0120A Budapest MAGYAR HIRLAP in Hungarian 8 Nov 89 pp 1, 4

[Article by Ivan Gador: "Will There Really Be an Auto Plant?"]

[Text] One no longer wants to believe his ears. One suspects a joke or self-aggrandizement in being well-informed: Despite all we have heard before, personal cars will be manufactured in Hungary. Yesterday noon the president of the Japanese Suzuki firm and his entourage arrived in Budapest to prepare a joint venture agreement. A car assembly plant will be established in Esztergom as a result. The plant will require a 9.5-billion-forint investment and will produce 50,000 personal cars annually.

A few days ago the press presented some remarkable news based on Tokyo sources: The leaders of Suzuki will depart for Budapest shortly to put an end to a series of negotiations that have taken more than 4 years. The news item also stated that this would be the final attempt by Suzuki to conclude an agreement. This is because during the past years the Hungarian party changed its mind so many times, and presented so many real and imaginary concerns and difficulties that in the end Suzuki did not really consider the matter to be serious.

Well, the background is not overly encouraging, particularly if one realizes that on the basis of recent Hungarian industrial policy pronouncements it would not be appropriate to establish an automobile assembly plant in Hungary. Instead, we should endeavor to become involved in the expansive international chain of cooperation by manufacturing parts and main component

parts, and to receive imported personal vehicles in lieu of exported goods. This is why the word about Suzuki's visit had the impact of an exploding bomb: An automobile assembly plant is now within reach.

Yesterday morning I paid a visit to Ikarus Technical Director Istvan Lepsenyi. The tracks lead to him; he is Suzuki's negotiating partner.

[MAGYAR HIRLAP] "Mr Director! Does this mean that Ikarus wants to establish a joint venture with Suzuki?"

[Lepsenyi] "That's out of the question," came the response that may also have been a surprise to others. "This information is fully erroneous. Ikarus is one of the relatively insignificant stockholders and one of the possible cooperating partners in the future joint enterprise. If Ikarus is capable of booking orders, it will deliver seats, cable assemblies, and assembled components for the cars."

This is what is at issue: With a 4.5-billion-forint founding capital, and under Hungarian majority control, Suzuki, with the involvement of C ITOH and other Japanese financial institutions, would establish a joint enterprise stock corporation. This stock corporation would make a 9.5-billion-forint investment to build a personal car assembly plant in Esztergom where Labor MIM's plant has been liquidated. The plant would produce 50,000 Suzuki Swift models 1000 and 1,300 5 passenger, 5 door cars.

The larger part of the credit needed for the investments is being arranged by West European and Japanese banks. Hungarian commercial banks providing credit may utilize the Hungarian National Bank's refinancing credit fund. As planned, the stock corporation would pay a 15-percent dividend beginning in the fifth year. The business plan was calculated in terms of yen. Quite naturally, the dividends would also be calculated in yen.

As a first step, along with assembly work, the plant would also press parts of the automotive body, and would perform welding and painting work. This activity constitutes about 20 percent of a car's value. Various Hungarian enterprises would be involved subsequently, and would provide an additional 30 percent of the car's value by manufacturing glass parts, synthetic upholstery and parts, seats, cable assemblies, relays, switches, and electrical assemblies in Hungary. According to plans, during the third year of manufacturing, Hungarian deliveries, including assembly work, would amount to 70 percent of the total value of a car. In practice this means that except for its motor and transmission, every main item, part, and assembly of the Suzuki Swift would be of Hungarian manufacture.

Fantastic! Years of negotiations with large West European and Far Eastern car manufacturers—all of which remained in the dark to the end, of course—always hit rock bottom as a result of two factors. One is the unsuitability of the Hungarian background industry to

manufacture thousands of parts needed in a car. The other factor is the most economical size of series to be manufactured. Any competent expert will confirm that the most economical production level is over 200,000 cars. To sell that many cars in the market, however, is extremely difficult. "Knowing all this, the Suzuki venture comes as a surprise, to put it mildly," I told Lepsenyi.

[Lepsenyi] As far as the size of the series is concerned, economy may be viewed from several standpoints. A new way of thinking in economic policy supports the fundamental change in judgment. Assembly is the most labor intensive part of car manufacturing. This means that this kind of work does not require excessive capital, it requires cheap labor. And we do have cheap labor, even if the joint enterprise pays substantially higher hourly wages than the average Hungarian hourly wage. This is our comparative advantage. The other advantage is that it is far more logical to manufacture and sell in Hungary globally recognized top-of-the-line cars at today's prices for 385,000 and 425,000 forints, than to purchase individually imported cars from West Europe and to pay for these with foreign exchange purchased at extremely high prices from speculators. Incidentally, the foreign exchange balance of the joint enterprise will even out at zero. Of the 50,000 personal cars, 30,000 will be sold in Hungary, while 20,000 will be exported for foreign exchange. This will cover the total import demand of the manufacturing process.

Having disregarded domestic price changes, and having considered inflation, these Suzuki Swift cars will cost far more than 385,000 and 425,000 forints. Nevertheless, it would be difficult to predict today how nominal wages and the population's ability to pay will take shape in Hungary in 1992 and in years thereafter. The plant would be placed into operation in 1992. In any event, the relatively high price appears to deflate instantly when the substantially lower fuel consumption of the Suzuki Swift comes to mind, as compared to its East European competitors. After all, just yesterday some word leaked out about higher gasoline prices. Although instantly denied, there is no smoke ... without a fire.

Heaven grant us a situation in which at last an adequate number of outstanding quality, modern cars appear on the Hungarian market, cars which remain competitive with the West European supply, but will be made available to a large number of Hungarian consumers at affordable prices. And heaven grant us a situation in which at last we have a complete machine industry export product that is able to withstand competition presented by developed countries.

Lepsenyi says that the Danube Iron Works—also a stockholder in the joint enterprise—is able to manufacture sheet metal of the quality needed in cars. The Hungarian synthetics industry—several members of which are stockholders in the joint enterprise—already sells its supplies to several Italian and West German car manufacturers. For example, PEMU is a supplier to

BMW. In other words, they will also be able to perform. The standards of the Hungarian electrical industry and the metal assembly industry may also be elevated to the desired level, even though upon hearing this, owners of Lada cars would shake their heads in disbelief. As a result of developmental financing by the World Bank, Budalakk would be able to manufacture all the paint that appears on Suzuki's metal color charts. After completion of a competitive bidding process the new car assembly plant will acquire world standard anti-corrosion and painting technology. Still to be resolved is the issue of tire manufacturing for personal cars, and a list of small and large details.

Still to be resolved is the performance discipline of the 60 cooperating Hungarian enterprises whose deliveries are being scheduled by the hour, the long-term maintenance of quality that may be characterized by rather stringent tolerance levels, and the technological discipline to which people in Hungary are not used to in performing assembly work, the bulk of which is based on manual labor.

[MAGYAR HIRLAP] "You are a very brave man. You are agreeing to no less than establishing in Hungary a factory in which work culture is supposed to exceed the levels we are unfortunately used to in Hungary by far."

[Lepsenyi] "This high level work culture exists in Hungary. One need only find it; we must select people who hold these values. And quite naturally, we must retain these people according to Japanese standards."

[MAGYAR HIRLAP] "Well, this is not exactly a negligible task...."

[Lepsenyi] "We have no illusions; we did not agree to take a ride in Hyde Park. The risks are enormous, nevertheless, anyone who enters the market must contend with such risks. This venture will be realistic, if the government is able to pursue policies that are friendly to entrepreneurship, if market conditions indeed evolve in Hungary during the next 2 years, and if our subcontracts must indeed withstand competition in the marketplace."

[MAGYAR HIRLAP] "And you will be the president of that enterprise?"

[Lepsenyi] "All I can say is that the Japanese party asked for a Hungarian negotiating partner who may be anticipated and presumed to take part in the management of the joint enterprise."

And What Does Osamu Suzuki Have To Say?

We asked Osamu Suzuki why they picked Hungary as the center for this undertaking.

[Suzuki] Four years ago we heard that a program was being developed in Hungary to start up automotive assembly work. This news aroused our interest. We felt that it would be worthwhile to sit down and negotiate. We have been negotiating ever since....

[MAGYAR HIRLAP] Suzuki Swift, the car at issue, appeared on the market last November. As planned, the Hungarian assembly plant would begin to operate in 1992. Will this model still be marketable then?

[Suzuki] Whether or not it will be competitive is relative. We have not even finalized the investment in Hungary, and so we are not in a position to say what model we would be producing in Hungary in 1992.

Japanese Credit Rating Declines

25000525D Budapest HETI VILAGGAZDASAG in Hungarian 28 Oct 89 p 76

[Article by Rita Bozzai: "Hungarian Bond Issues in Japan: Negative News"]

[Text] Recent news reports indicate that Hungary, as a debtor country, has received worse marks than ever from Japanese bankers. Although borrowing opportunities for the Hungarian National Bank (MNB) on the world's largest capital market have not diminished, the continuing deterioration in ratings signals a dangerous trend.

The Hungarian economy was appraised in Japan, and was found to carry less weight, i.e., Hungary is receiving an increasingly worse report card from the Japan Credit Rating Agency (JCRA), the Japanese organization that qualifies debtors. In this way, Hungary is falling lower and lower on the reliability scale of debtors. The deterioration is a warning sign for Hungarian economic policy makers; influential Japanese bankers envision the country's prospects as increasingly uncertain.

"The history of our Japanese ratings began in the late 1970's," according to Gyorgy Zdeborsky, president of the Central European International Bank (CIB), who previously worked in the MNB foreign exchange division. "At that time the idea came up that we should try to obtain credit in the Far East, in addition to our traditional borrowing sources. The Japanese appeared to be prepared to deal with us. During those years they accumulated a huge surplus, and began to worry about where to place their transitional capital surplus."

Also during those years the MNB's borrowing policies underwent a change. Experts questioned why the MNB did not appear more frequently in capital markets, i.e. why the MNB would not take indirect loans by issuing bonds. Prior to that time, in most instances, the MNB took out loans put together by large international banks—so-called consortium loans.

But there was a special condition attached to an appearance on the Japanese capital market: A rating had to be obtained. That is, at the Japanese securities exchange where all kinds of international stocks and bonds are traded, there are a large number of private investors, most of whom do not even know where Hungary is, let alone whether it is worthwhile to purchase Hungarian

securities. The only thing these investors are concerned with is the rating attached to these securities.

The MNB flirted with Japanese and American ratings already in the 1970's. At that time the official position was to accept only the best rating. Thus, exploratory negotiations began and failed in the United States. Since in those days Hungary was not a member of the International Monetary Fund [IMF], and since the country became increasingly indebted beginning in 1975, a favorable rating would have been out of the question.

Japanese and American rating firms—such as Moody's and Standard and Poor, rank debtors in three categories. The best rating is "triple A" (AAA), followed by "double A" (AA), "single A" (A), then "triple B" (BBB), "double B" (BB), and "single B" (B). But within these categories there are some fine distinctions, such as "double A minus" (AA-), or "single A minus" (A-). The highest rating is rarely granted; it is given primarily to large international financial institutions.

This kind of rating is provided by relatively few firms in the world. There are three in the United States, three in Japan, and not too long ago a rating firm was established within the Common Market. These are mostly private firms, i.e. they are not governmental organs. In practice, their operations are similar to those of certified public accountants, except for the fact that they are not "X-Raying" a single enterprise, but an entire country. In the course of establishing a rating they examine the entire economy under a microscope. They check growth prospects, the balance of payments and budgetary balance conditions, export prospects, possible markets, the international competitiveness of various branches of the economy, the structure of indebtedness, receivables, and the anticipated economic policy as a whole. From this standpoint they pay special attention to countries in which elections are expected to take place, or where signs of a governmental crisis appear, and examine the strength of various political groupings.

As long as Hungary had no rating—i.e. in 1985 and 1986—the MNB issued restricted bonds in Japan. To do this Hungary needed a permit from the island country's Ministry of Finance. Once the issues proved successful, and while the country's situation was evolving in a relatively favorable manner, new exploratory talks began. In the course of unofficial discussions Japanese banking experts raised a possibility: They thought that it was conceivable for Hungary to receive a "double A" rating. Fearing that an examination would produce worse results, which in turn could destroy Hungary's prestige, the MNB leadership did not dare to take the risks involved in a rating process, even though the Japanese showed willingness to keep the results secret if they turned out to be worse.

The idea of a rating examination was almost taken off the agenda when a decision was reached. The Japanese would come to Hungary at their expense in 1986 and conduct an evaluation. Normally, obtaining a rating would cost large

amounts of money. The MNB leadership was willing to agree to such a visit only under the condition that the Japanese would pay visits only at the bank.

As Japanese experts arrived in Budapest, the Hungarian government was writing a letter of intent to the World Bank. It described the new economic policy. "It would have been logical for us to present that document to the Japanese rating delegation too, but this was prohibited by the MNB leadership of those days," Zdeborsky recalls. But this matter was urgent. Therefore, the document was smuggled out by bank employees to the Japanese without the knowledge of the bank's management or the political leadership. It so happened, that in early 1987 Hungary received its first rating. It was "double A minus." According to Japanese rules, ratings must be reaffirmed annually.

From then on, the MNB issued so-called samurai bonds twice a year in Japan with the cooperation of the Daiwa Securities agency. Already in the first year there could have been trouble with the second issue, because by autumn it became clear that our balance of payments deficit would be much larger than expected. The situation was saved by the fact that the annual rating was still in force. But then, in early 1988 the rating was reviewed and changed to "single A." The MNB could have rejected this rating, but it did not because it needed more credit.

The rating just published is "single A minus." If the grades received by the Hungarian economy deteriorate further, and perhaps become "triple B" by next year, the MNB will be simply squeezed out of the Japanese bond market.

MNB Public Bond Issues in Japan

Amount (millions of yen)	Issue Price (percent)	Issue Date	Expiration Date
20	100	Feb 1987	1997
40	99.65	Oct 1987	Oct 1997
25	99.75	Mar 1988	Mar 1997
30	100.5	Oct 1988	Oct 1998
35	100.9	Mar 1989	Mar 1999
25	100.5	Sep 1989	Sep 1999

Accuracy of Budgetary Information Probed

25000526A Budapest HETI VILAGGAZDASAG in
Hungarian 21 Oct 89 p 76

[Interview with Piroska Horvath, division head of Central Statistical Office, by Ferenc Langmar: "Budgetary Statistics: Foundation Problems"; date and place not given]

[Text] The budget is the weakest link in the financial information chain, according to experts. This shortcoming is highlighted by the fact that, while according to information provided to parliamentary representatives

in 1988 the state household deficit amounted to 10 billion forints, a recent study prepared by the Central Statistical Office (KSH) entitled "The Main Processes of the People's Economy—1988" states that the actual deficit amounted to more than 50 billion forints. We asked KSH Division Head Piroska Horvath to explain the discrepancy.

[HETI VILAGGAZDASAG (HVG)] In your view, how complete is the state household and budget information submitted to representatives?

[Horvath] Even if the representatives received information concerning the state household—the information that includes the central budget adopted by Parliament, the council budgets, the financial affairs of the State Development Institute (AFI), and the decentralized funds—it would not include the Jamburg-Tengiz investment or the barrage, even though as a result of the two investments managed by AFI, that 10-billion-forint budget deficit had increased.

[HVG] How much of the 40-billion-forint difference between these two figures is accounted for by these two investments?

[Horvath] Altogether, 21.5 billions forints. The KSH enters this amount under several headings. Of the 13.3-billion-forint Jamburg-Tengiz investment and the 8.2 billion forints from the barrage we were able to account for seven billion forints each under accumulation last year. In the Jamburg case we counted only the amount recognized by the Soviet Party in favor of Hungary. Over and above the officially recognized amount we reported 6.3 billion forints in the form of state subsidies.

[HVG] Other discrepancies related to the state budget are explained by saying that there are two possible views with regard to these calculations. One is the so-called outcome oriented outlook, the other is based cash flow. What do these terms mean?

[Horvath] A budget based on cash flow, like the present budget, contains the revenues and expenditures for a given year. In contrast, the outcome oriented budget, the so-called revenue budget balance [as published], shows how much revenue a given activity should produce for the budget, and how much expenditures should burden the budget. These figures are independent of whether a given financial transaction has actually taken place. In this case, for instance, we would count tax liability for a given year, even if part of the taxes owed are paid during the following year. This was of great significance last year because enterprises overpaid their profit taxes and the excess revenues appeared to have improved the budget balance, whereas in the end the excess had to be returned to the enterprises. In general, the Ministry of Finance does publicize budget data, with regard to which it does not say how much of the amount may be regarded as carryover [as published]. Quite naturally, the budget was not accurate in earlier days either; some important matters were always forgotten. For example, the budget never showed a budgetary expenditure when the State

Planning Committee or the government decided to forgive loans granted to an enterprise that went through bankruptcy reorganization. But the amount does show up as part of the state household's indebtedness. Later on the situation became even more confused. In 1987, for example, the budget did not show what it provided as basic funding to banks in the course of introducing the bilevel banking system.

[HVG] How large was that amount?

[Horvath] We don't know. Similarly, the 35-billion-forint loan written off to the iron foundry industry was not among the expenditures, just as the losses created by the devaluation of the forint were not included.

[HVG] Another gray, and much criticized area of the budget is the so-called decentralized funds. These include environmental, artistic, national scientific, and research funds, whose size last year amounted to 45 billion forints. Since when have these been included in the state household balance?

[Horvath] It would be difficult to answer this question, that is, the budget structure has continually changed. There were times when it was impossible to tell how much was spent on health care or education. Signs are not favorable in this year either; it is unlikely that we will have a coherent, consistent picture of the budget, of the state household.

[HVG] As I understand the matter, individual years simply cannot be compared. Is it possible to obtain sufficient information from this uncontrollable budget to make economic decisions?

[Horvath] The figures are uncontrollable, there is no one who could see through this matter. In establishing foundations for economic decisions, it is impossible to follow changes in the state assets.

Accounting System To Be Modernized

25000525C Budapest HETI VILAGGAZDASAG in
Hungarian 28 Oct 89 pp 7-8

[Text] Not too long ago the Ministry of Finance commissioned the Budapest office of Price Waterhouse, one of the world's largest international public accounting advisory firms, to modernize the Hungarian accounting system and to draw plans for the establishment of public accounting institutions. Price Waterhouse began its Budapest operations early this year. Responding to HVG, Leslie Bonnay, managing director of the Price Waterhouse Budapest Limited Liability Corp., said that at first they will examine the Hungarian accounting practice, and on that basis they will make recommendations for the further development of the system as a whole, including property appraisal, methods of property appraisal, the contents of accounting rules and regulations, and government requirements concerning

audits. Plans call for the presentation of final alternatives next summer. Bonnay added that Hungarian financial statements look like tax returns rather than financial statements required by stockholders in capitalist countries. In terms of Western accounting practices two kinds of appraisals are known: an evaluation based on book value, and another based on the value of the business. This kind of appraisal is missing in Hungarian accounting practice. With the first method one could "evaluate" the momentary worth of enterprise assets and recorded transactions. In the course of transformation an enterprise can change this financial statement by preparing an opening balance which reflects, for example, the latest market value of real estate and inventories, while recognizing receivables and obsolete inventories. The other kind of appraisal is a business appraisal which provides an answer to the question of how much an operating enterprise is worth. In such cases Price Waterhouse examines the anticipated size of profits and the amount of dividends an enterprise is expected to pay. In Hungary today the value of an enterprise is established on the basis of assets and liabilities, even though the actual value of the enterprise can be determined only by finding out how much outsiders would pay for the enterprise if it were sold.

Controlled Food Prices Attract Yugoslav Shoppers, Cause Shortage

25000526B Budapest NEPSZABADSAG in Hungarian 30 Oct 89 p 9

[MTI report: "Food Supply Problems in Baranya County"]

[Text] Tourist shopping has created a critical food shortage in Baranya County. Unprecedented for years and decades, there are shortages, lines are being formed, and crowds are gathering in shops. There have been some scandalous scenes in downtown Pecs. There have been cases when the police have had to maintain order in shops, and Hungarian consumers are upset because of the shortages.

In neighboring Yugoslavia price controls have been removed from food products. As a result Hungarian-Yugoslavian food price differentials are increasing further. Compared to last year, there is an 80-percent increase in the number of Yugoslavian visitors to Baranya County. They are purchasing particularly large quantities of sugar, cooking oil, margarine, cheese, and smoked goods. The prices of these products are unrealistically low as compared to prices in Yugoslavia.

The number of customs agents has been increased at the southern border, but even this way the agents have difficulty managing the flood of goods. While in earlier days it took several days before the customs' refrigerators were filled with confiscated food, these days the refrigerators must be emptied every day.

At its latest session the Baranya County Council Executive Committee decided to seek assistance from the

government. They will request help by providing central supplies or by rerouting food products from other areas in order to relax the tense situation. At the same time the County Council requests that administrative measures be taken to limit or prohibit the removal of shortage goods from the county.

Investment Firm To Be Registered on London Stock Exchange

25000525B Budapest HETI VILAGGAZDASAG in Hungarian 28 Oct 89 pp 6-7

[Text] A new venture designed to find holders for Hungarian stock will be registered with the London Stock Exchange, most likely beginning in November. The investment advisory firm with \$50 million founding capital is being organized by the British John Govett Co., which has a similar profile. A number of well-known Western institutional investors will take part in the stock corporation, including the U.S.-based Fidelity Investment Management Co., which transacts an annual volume of \$40 billion; the British Gartmore with a \$10 billion volume; Touche Remnant, the subsidiary of the major French banking firm Societe General; and the British savings bank TBS. After several months of orientation abroad, the company, to be registered under the name "Hungarian Investment Co., Ltd." (HICL), will invest its clients' money into securities issued by industrial branches and enterprises that have not been designated in more specific terms. This much is known already: HICL intends to have the Hungarian enterprises involved in the investment project analyzed by Ernst and Young public accounting firm, well-known in business circles. The law governing foreign investments in Hungary guarantees that foreigners may exchange into convertible currency, and transfer home all their capital invested in Hungary, as well as the return on such capital, through the Hungarian National Bank.

Swiss Joint Venture in Computer Assembly and Sales

25000525A Budapest NEPSZABADSAG in Hungarian 3 Nov 89 p 8

[Text] The founding documents of Condor Com, Inc. were signed Thursday in Gyor. The founder and main stockholder on the Swiss side is Office Com AG, with a foreign exchange investment worth 14 million forints. On the Hungarian side they expect private individuals to subscribe to 15 million forints worth of stock. The stock may be subscribed to in 10,000-forint denominations. Subscriptions will be administered by the National Savings Bank [OTP]. The OTP will also manage the establishment of the stock corporation. The enterprise will assemble and sell computers beginning at the end of this year, on both the Hungarian and the Swiss markets.

YUGOSLAVIA

Increased Spending Urged by 'Dissident' Croatian Economist*90EB0094A Zagreb DANAS in Serbo-Croatian
24 Oct 89 pp 10-12*

[Interview with Dr Branimir Lokin, counselor in the Croatian Economic Chamber, by Ratko Boskovic: "They Do Not Know What They Are Doing"; date and place not given]

[Text] Dr Branimir Lokin, counselor in the Croatian Economic Chamber, is a dissenter in Yugoslav economic theory and practice.

Because of his personal openness, his cynicism as an expert, and the positions he takes as a specialist, he has caused even his superiors, whom in his job he is supposed to furnish advice on an everyday basis, his professional colleagues, and also people holding high position in the administration to distance themselves from him. In his own words, in 4 years he has been unable to find a publisher for his most recent book on monetaristic theory and its practical results in the Yugoslav economy, and when an interview with him recently covered nearly three pages in the West German DER SPIEGEL, DELO was the only Yugoslav newspaper that found it suitable to present that interview to its readers.

Dr Lokin, and not only in the interview with DER SPIEGEL, is today probably the only critic of the macroeconomic policy of Ante Markovic's government who does not take political positions, nor play politics, but speaks from firm technical positions in criticizing the monetaristic approach of the government and its "supply-side economics," accompanied by restrictions of the money supply and consumption within the country. What is more, Lokin is also a critic who does not merely criticize, but he also offers an alternative economic policy based precisely on stimulation of expenditure as a possible way of getting out of the crisis.

DANAS: Within the framework of a "stabilization policy," the Yugoslav governments since the beginning of the eighties have been conducting a "policy of restriction on spending," a kind of gambit, to use the language of chess, in which the "standard of living is sacrificed." Has that "gambit" brought any constructive macroeconomic results?

Lokin: Since 1984, I have been writing and saying that the Yugoslav reform will not and cannot succeed on what is called the "supply-side model." I said even then that anyone who applies in Yugoslavia the model of a supply-side economy can be certain at the outset that he will plunge into disaster. This has proven to be the case in the Latin American countries, it has turned out to be the case in our country, and to some extent it is also being confirmed in the East European countries. There simply is no recipe that would apply to all countries. Just as Bruno, the Israeli who has now become famous, has

said, every country is specific in its problems and needs to have its own domestic science, its own homegrown people who have to discover the real condition of every economy.

We have been constantly asserting that "we have high spending." This has been our obsession. Logically, if our expenditure is excessively high, we have to curb it in order to save money, so that we can invest the savings and thus extricate ourselves from the crisis. This expenditure greater than production has persisted in our country for 20 years now, and it is generally the pattern of socialism. After all, socialism did not need saving, everyone obtained exactly as much as he needed, a bit more than the plan. Nevertheless, saving is in man's nature, and so there was saving even in socialism. But since socialism is not capable of capitalizing those savings, it ends up with larger saving than in the capitalist societies, and those savings are immobile. Socialism does not acknowledge those savings, but it takes foreign capital for circulation in the economy, and by the nature of things it is always going doubly in debt.

Thus, the "sacrifice of the standard of living" was to no purpose. It destroyed everything, and achieved no success whatsoever. Physical production has been stagnant (I think it is even dropping off) for now the 7th year in a row. In that time, the Yugoslav population has grown by 1 million, there have been changes in expenditure, and people's preferences have changed. But the supply is the same. A discrepancy had to occur, and the idea of committing that "sacrifice" to investments has not been successful. The pressure to reduce spending, to prevent inflation through restriction of the money supply, to push exports, has been utterly without purpose...and all of that has gone on for 7 years now. Markovic is not the first one to do this. It was also done by the governments of Milka Planinc and Branko Mikulic. This is now our third government which has utterly failed in its macroeconomic policy, which thinks that it can change the attitude toward economic phenomena, but is essentially using methods that are completely the same.

DANAS: Why have Yugoslav governments been unable to move away from that model, which obviously is not yielding results?

Lokin: They are not the only ones who cannot move away from it, half the world is unable to move away from that model. It is not a monetary problem, but a development problem. I have in fact written a book about this, a book that after 4 years of frustration will be published by Krscanska sadasnjust (Christian Contemporary), in which I point up the shortcomings of monetaristic theory. The resistance to this topic in academic and political circles is incredible. I will give you just one illustration: I am the first Yugoslav to take his doctorate on the topic of economic forecasting and the only economist who has never been invited to take part in any of the commissions that have been concerned with the long-term planning of development.

DANAS: How are we to make sense of the fact that production has been stagnant in Yugoslavia for such a long time and the standard of living is dropping down so far, yet the country possesses \$5 or \$6 billion in currency reserves?

Lokin: That is a typically Yugoslav paradox. The economy is going utterly to ruin, and the population is saving more and more foreign exchange. This shows that we do not have a market in this country and it is not functioning, since in a market country reserves of foreign exchange, if they could occur at all, would be snatched up in a moment.

In our country, nevertheless, the foreign exchange reserves are pointed to as a success of economic policy. This is being asserted even by Ante Markovic, and that is going to thoroughly discredit him with professional economists. The foreign exchange reserves are only indicators of how far the value of the dinar has fallen. It is an old rule: people hoard the money that has greater value. They save, and although those savings are marginal, a few hundred German marks per capita, as soon as they are unable to buy something, that is the way they protect themselves against inflation. When we did the intelligent thing of removing restrictions from foreign exchange accounts, what previously had been in the stocking then turned into \$6 billion in reserves. Nevertheless, the country cannot do anything with those reserves.

And the economy is behaving just like individual citizens. It postpones payments for 60 days and thereby creates for itself a permanent revolving credit so that it might derive again from the exchange rate differences. And the economy is "optimizing" the balance in its foreign exchange accounts. At the same time, it does not pay for it either to export or import, since it finds everything horribly expensive in view of the terrible government taxes which increase the export disparity of the dinar. Exporters are today losing as much as 50 percent of the value of their exports. No one can make that up. Production is coming to a halt, and the economy is beginning to live off financial misappropriations. Ninety percent of the money is in the banks, and this cannot bring stability to any economy. The dinar is ceasing to be a measure of value—so how, then, is it possible to halt inflation with independent operation by means of the dinar? If there is no money, how is it possible, then, to achieve a supply-side economy?

DANAS: Aside from being a sign of the disaster suffered by the value of the dinar, are the country's large foreign exchange reserves also having some adverse effect on the economy?

Lokin: They have a disastrous effect. The foreign exchange in accounts in foreign banks earns an interest of 0.5 percent per annum. We are paying individuals an interest of 4 percent. A loss of 3 percent from the outset. Also, the foreign exchange reserves are the only real basis for making loans on fixed assets. That 3 percent is calculated into that loan, but so are all the bank's losses.

We end up with a real rate of interest such as exists nowhere else in the world. The economy takes that terribly expensive money to use in making up for the deformations of the system, which amount to between \$9 and \$10 billion, which occurred as the difference between the country's real social product, for which there is physical backing, and the social product as indicated in accounting, which is used for purposes of distribution.

The economy is getting poorer, but it must pay ever higher rates of interest. In that situation, the government, in order to halt the adverse development of events, adopts a restriction on credit and limits spending. But the first condition for reduction of credit is to speed up the circulation of money. However, money is being withheld from the economy, and sales are being frustrated. The circulation of money has to slow down.

Either I do not understand at all what is happening in the Yugoslav macroeconomy, or the Yugoslav governments do not know what they are doing. How is it possible to cut people's salaries, not to grant them loans, but to extend expensive loans to the economy, to produce expensive goods for which there will be no customer, so that they will have to incur large losses...? And that gap is widening. The standard of living is dropping, the output of the economy is falling off, and in the middle there is that large volume of false money.... This is my crowning piece of evidence as to the failure of the supply-side economics which the Yugoslav governments have been pursuing since 1982, with the assistance of the International Monetary Fund. Nevertheless, in the last 3 years even the IMF has seen that this policy is not bringing success, and it is granting every country the freedom to do what it likes, just so that it achieves some success.

DANAS: What might be the first sign that an economic policy is achieving success, that the crisis is ceasing to get worse?

Lokin: When the growth rate of inflation begins to slow down. If inflation this month were the same as last month. But inflation is growing, and I predict that Yugoslavia faces a new wave of inflation. A shock still greater than the last one. If at this point we are to stimulate exports, we must immediately devalue the dinar by 50 percent, that is at least what the exporters say. If we do that, we will be increasing energy costs by 150 percent. It is better not to even think about what that could mean. The refineries are begging the government, let us raise prices 50 percent, but do not devalue the dinar; if you devalue the dinar, then you will have to allow us to raise prices 150 percent. At this point, the government must decide whether it wants to devalue the dinar and satisfy the exporters or to allow higher energy prices and thus destroy the exporters. This is a stalemate in which Markovic can no longer operate, except that he still does not understand this. It is not the same thing to resolve a crisis and to carry out a reform. Those are two different things.

DANAS: You have been proposing Yugoslavia's internal bankruptcy as one of the means of clearing the way to get out of the crisis. Why?

Lokin: I have been proposing that since back in 1985. It was high time then to proclaim internal bankruptcy in Yugoslavia. Since the very outset of Yugoslavia's debtor crisis, I have been writing that we must not allow exchange rate differences to occur, but in 1985 there was a revaluation of capital, which is still more calamitous than exchange rate differences. We have thus created two enormous financial balloons whose value some people are now estimating at \$40 billion. Had we proclaimed bankruptcy in 1985, today we would have a clean slate. A certain number of enterprises and banks would have gone into bankruptcy, but we would not have the financial mortgage we have now. Also, since we have been paying exchange rate differences out of capital assets, we have been keeping records of depreciation, but we have not been investing; in economic terms, "we have been eating up our capital." Salaries have begun to drop sharply, and to halt that, salaries have begun to be indexed. Thus, both capital and salaries have begun to drop. The crisis is many times worse than it was in 1985. Now comes Markovic, and he must deflate all those "balloons," and that really is not possible in a short time. That is why the prime minister has had to persist with his 5-year program, rather than to let go and thus demonstrate that he actually has no program. When he went to Belgrade, I suggested to him that he relax the monetary restrictions, and in fact he did so, but he did not understand the need to increase expenditure. He lacks a method for that purpose.

Let us be clear on this point, I have said all this and written all this to him, so that this is not and cannot be an attack of mine on Markovic. But he does not have a method for regulating expenditure, and that is why in an interview I declared that he would have no choice but what I euphemistically referred to as a freeze across the board, and that has now happened. Even capital is not helping him anymore: he has it outside, he has it at home, but he cannot give it to the economy, since in the present economic relations the economy is unable to create new value.

DANAS: Are you not neglecting in your macroeconomic examination the fact that our self-managed enterprises are themselves too inefficient?

Lokin: It is well-known that they are inefficient, but why did Markovic not say "starting tomorrow I remove restrictions from salaries"? That the director can conclude a contract with every worker as to how much the enterprise will pay him over and above what is prescribed by law? You see, that is possible. But Markovic did not take that into account. As soon as he omitted to do that, he already imposed controls on salaries, and he cannot change the structure of the economy. The essential thing here is the manpower market, not the market for capital. Italy started forward when it did away with all those stupidities, the social compacts and the like

which occurred under the influence of the Socialists and Communists, and thus created a manpower market, and then through it a market for capital as well. It was only then that its development exploded.

Just as after the war the Germans were told by their prime minister "You have lost the war and you will live on bread and water, that is the real price of your work, and as of today the mark is convertible," so under socialism people have to be told that a good worker will be paid threefold better than a poor one and there will no longer be any discussion of this. That is where we have come to. But that is a reform, we are not talking about that now....

DANAS: You think that it is possible to take macroeconomic steps even with the low productivity of the economy...?

Lokin: Yes, but in 2 years that model will certainly be exhausted. But at that point we would already have a clean slate. Many bankruptcies, social problems, and the like, but also a consolidated economy.

DANAS: We have gotten to the heart of the matter—What do you propose that the Ante Markovic government do during those 2 years?

Lokin: It must not and dare not give up on the market economy, that goal must be pursued even considerably more than is now being done. And the only way I see of strengthening the market in a practical way is for those foreign exchange reserves that exist to be used directly, not, that is, through the banks as middlemen, but for them to be given directly to the economy. There are various mechanisms for doing that. One of them is to grant consumer credits, to achieve demand pull, requiring that the borrowers commit funds of their own. The essence of it is that as soon as the enterprise sells its product, it immediately gets working capital with which it can operate. Then it would no longer take it from the bank, but would have its own, and would begin to be economical with it. Then it has to be guaranteed a completely liberalized market, competition free of monopoly. I have a program all drafted and ready for implementation that embodies that concept.

But the resources from that damnable banking loop which covers the losses of the system have to be given to the economy. Let those able to operate go ahead, and let the banks take those which cannot into their programs for aid and rescue. At this point—and this is especially important—the state must come out with regressive taxation. In that case, those who sell on the market will pay lower taxes and will thus realize working capital, they will become stronger. All economic entities must be covered by regressive taxation, both socialized and economic, so that they prosper. And the restrictions on salaries must be removed altogether.

DANAS: Do you think that these proposals of yours could gain political support in Yugoslavia?

Lokin: I think that the underdeveloped could support this concept, since anyone who has lower costs could also go onto the market with lower prices. Perhaps that is the reason why the Slovenes do not accept what I have been talking about. They understand it perfectly, but they do not want to start a discussion of it. Some producer with "slave wages" could turn up on the market from Bosnia with the same product and a 40-percent lower price—if business conditions were the same. The Slovenes and the Croats have a monopoly over the capital, the factories, and the personnel, but they are demanding equal treatment on the market.

Inhabitants "in the south" are to some extent right, and we ought not to be blind and say that events in the south are a consequence of political relations.... Unless they are offered some other way out, what is left for them but to opt for Milosevic's conception of administrative socialism? I do not agree that they are "good-for-nothings," since then most of Yugoslavia is "good for nothing." That is more or less what modern Serbian politicians are saying, but they do not know exactly what they want, and they will have to adopt the administrative conception, if only to hold onto power.

The market would take power away from them. This model of the economy allows Yugoslavia's party and government monolith to remain in power. Except that this does not apply to Markovic. He is an extremely honest man, it is just that he does not understand the macro-economy as a socioeconomic category. He understands the

enterprise, and here he is superb. He will immediately answer what I have been saying with: "But that means that we are pushing expenditure! But we must save in order to invest!" And that is the end of the discussion. Certain limitations simply cannot be overcome.

DANAS: People's standard of living is dropping, production is at best stagnant, technological development has been halted, as have investments. How is it, then, that there still have been no sizable or sudden changes in Yugoslavia's economic life?

Lokin: There have not been, but the dangers are great. It is an illusion that the party-government monolith can hold out. Highly capable people could emerge very quickly on the political scene. They could say to the public, for example, "Listen, people, if the television refuses to show films in the Latin alphabet or in the Cyrillic alphabet, just don't pay your television subscription for 2 months!" At this point, those are terribly dangerous things. Suppose someone says "Listen, people, just withdraw your foreign exchange from the bank!" The party, for example, could be left without dues in just a few months, so that it would no longer have a source of financing. Those are dangers, the system has already changed in this respect, it is no longer an administrative and distributive system, it has lost its hierarchy, its firmness.

All that is left now is the brotherhood of the incompetents, the largest brotherhood in Yugoslavia.

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